INTRODUCTION

Pursuing our Goal of “Delivering Happiness to All”

The SUBARU Group, by no means a large automaker, concentrates its limited management resources in pursuit of the value it provides to its customers, which is “Enjoyment and Peace of Mind.” The customers who support us value SUBARU vehicles like lifestyle partners. Together, we are marching ahead to make society better, inspiring our customers to say that SUBARU is “different.” Our vision of becoming a company “Delivering happiness to all” is something that we have learned from the behavior of our customers, with whom we share deep relationships. We will put these customers who have nurtured the SUBARU brand first, and continue to pursue our goal of delivering happiness to people, society, and even the Earth.
On Publication
The SUBARU Group wants to achieve our vision of becoming a company “Delivering happiness to all.” By evolving our value statement “Enjoyment and Peace of Mind” we seek the sustainable growth of the SUBARU Group and the achievement of an enjoyable and sustainable society. In order for a broad set of stakeholders, including shareholders and investors, to better understand our approach, strengths, and business models that underlie these initiatives, we are working to enhance our integrated disclosure of financial and non-financial information.

In this Integrated Report 2022, we have provided even deeper disclosure of our value creation story by introducing specific initiatives and progress in the mid-term management vision “STEP” and the Six Priority Areas for CSR. We will continue to utilize this report as one of our tools for communicating with stakeholders, further enhancing our information disclosure going forward.

Disclaimer Regarding Forward-Looking Statements
Statements herein regarding plans, strategies, and other information that are not historical facts are assumptions, judgments and forecasts based on information available at the time of creation, and are subject to various risks and uncertainties. Actual results may differ materially from these statements due to changes in economic conditions surrounding the Company and its Group companies, fluctuations in demand and exchange rates, and other factors. Final investment decisions shall be made by investors themselves based on their own judgment and responsibility in light of the above factors. Please note that the parties providing the information in this report regarding the Company and its Group shall not be liable for any loss or damage incurred as a result of investment based on the information contained in this report.

Scope of Reporting
SUBARU CORPORATION

In this report, the “SUBARU Group” and “the Group” refer to the SUBARU Group; “SUBARU” or “the Company” refers to SUBARU Corporation; “affiliated companies (affiliates)” refers to SUBARU’s subsidiaries in Japan, and “group companies” refers to SUBARU’s subsidiaries in Japan, excluding dealerships in the Automotive Business.

Guidelines Referenced
At a Glance

Our Path to Today

Chikuhei Nakajima establishes Aircraft Research Laboratory
1917

Affiliated Companies*
94

Automobile Sales Network*
440 locations in Japan

Business Segments

2 Segments
(Automotive and Aerospace)

Production Sites

Automotive
2 operating locations

Aerospace
2 operating locations

Number of Employees (consolidated)*
36,910

Automobile Sales Network*
440 locations in Japan

Ratio by Region*
Produced in Japan
727 thousand units

U.S. Market Share
3.9%

Produced in the U.S.
734 thousand units

Consolidated Performance*

Revenue
2,744.5 billion yen

Operating profit
90.5 billion yen

Capital Stock*
153.8 billion yen

Operating margin*
3.3%

Equity ratio
53.4%

Aircraft Research Laboratory

2.3%

Industry Share*

Global Share
Approx. 1%

U.S. Market Share
3.9%

Equity ratio
53.4%

A- (Rating and Investment Information, Inc.)

As of October 6, 2021

*1 As of March 31, 2022
*2 As of April 1, 2022
*3 Figures for FYE March 2022
*4 For 2021 (calendar year)
*5 Based on sales data from 2018 to 2021 (calendar year). Excludes OEM vehicles from other companies.
SUBARU will make steady progress towards becoming a company “Delivering happiness to all,” enriching people’s lives and minds as a partner to our customers and society.

Tomomi Nakamura
Representative Director, President and CEO

Profile
1982 Joined SUBARU and worked in the Japan Sales and Marketing Division, Global Marketing Division, and other units
2011 Vice President, Senior General Manager of Strategy Development Division and General Manager of Corporate Planning Department
2014 Senior Vice President, Chief General Manager of SUBARU Overseas Sales & Marketing Division 1, Chairman of SOA
2016 Executive Vice President, Chief General Manager of SUBARU Overseas Sales & Marketing Division 1, Chairman of SOA
Representative Director, President and CEO since June 2018

* Subaru of America, Inc.

Current Economic Conditions and Performance Overview for FYE March 2023

The unified SUBARU Group will work hard to deliver as many cars as possible to our customers.

More than two years have passed since the global outbreak of COVID-19. During this time, we at the SUBARU Group have taken a variety of actions to maintain our business activities while simultaneously protecting the health and safety of employees and their families. This includes shifting to a new normal for work arrangements, such as bolstering our IT infrastructure and abolishing mandatory core hours in the flex-time system. We also held online Premiere events of new vehicles, to create more opportunities for customers to directly come into contact with the value SUBARU provides. I commend these efforts that we have made to flexibly respond to changes in the environment and improve productivity and operational quality. Meanwhile, the aftershocks from the spread of COVID-19 continue to affect us in the short term. Adjustments to production at our plants have been unprecedented, driven by the impact from the shortage of semiconductors throughout the year and supply chain stagnation due to the resurgence of COVID-19 in Southeast Asia and other regions.

With further impact from sharp rises in energy and raw material prices, in connection with the situation between Russia and Ukraine that emerged at the end of FYE March 2022, the balance between supply and demand remains uncertain.

Amid these circumstances, with extensive cooperation from our suppliers, we made advances in our BCP efforts on the procurement side in FYE March 2022, expanding the scope of monitoring the degree of risk impact. On the manufacturing side, we have also made various efforts, such as flexibly adjusting production plans, in order to produce as many cars as possible despite parts supply constraints. On the sales side, we have been able to further bolster what was already a highly efficient sales operation by utilizing our “pipeline” inventory of units before they arrive at retailers.

However in FYE March 2022, consolidated sales and profits declined, due to the decrease in automobiles sales volume resulting from reduced production by constraints on the parts supply, and to soaring raw material prices.

For our FYE March 2023 performance forecast, we aim to achieve 3,500 billion yen in revenue, up 27.5% year on year, and 200 billion yen in operating income, up 121.1% year on year. Thanks to strong demand, especially in the North American market, we expect to sell 940,000 units and will take on the challenge of producing 1 million units.
With continuing challenges in semiconductor supply, we see our performance through the first quarter of FYE March 2023 as largely in line with our plan. We believe it is important to make steady progress with a positive attitude, while maintaining a sense of urgency through the second half of the fiscal year. In July 2022, I attended the retailers’ conference, in which all SUBARU retailers in the United States took part. Each and every local retailer there said to me, “More Cars!” It made me feel strongly that we have to satisfy those expectations as quickly as possible. Internally, I have also conveyed the message that we will work together relentlessly as a Group to produce and sell as many cars as possible, and we will work to restore our performance to the level of FYE March 2020, which was just before the COVID-19 pandemic.

* BCP: Business continuity plan

Progress in the Mid-term Management Vision “STEP”

I am seeing steady progress in the priority initiatives set forth in “STEP.”

In May 2021, around three years after the mid-term management vision “STEP” was announced just following my appointment as President in 2018, we made a report to our stakeholders about our progress to date and our policy for initiatives going forward. This offered us an opportunity to integrate the several principles present at the time.

Our corporate statement is “We aim to be a compelling company with a strong market presence built upon our customer-first principle.” With “Enjoyment and Peace of Mind” as the value the SUBARU Group provides to our customers, we will evolve the SUBARU difference that is unwavering amid changing times and changing external environments, enhancing the strength of our brand. The phrase “Delivering happiness to all” was announced when we changed our company name from Fuji Heavy Industries Ltd. to SUBARU CORPORATION, and we learned it from our customers’ behavior. Taking this opportunity, we defined this term as our “Vision”. With the coming of the electrification era, SUBARU difference could be lost. However, this vehicle has received many positive assessments from customers and automotive journalists in Japan and overseas, who say that the SUBARU difference is still present, even in a BEV.

Contributions to Building a Decarbonized Society

As we evolve the SUBARU difference, we will accelerate activities towards electrification based on our roadmap.

Regarding environmental measures for sustainable growth, at the SUBARU technology briefing held in January 2020, we announced our commitment to “contribute to building a decarbonized society through our distinctive and technological innovations,” and we are accelerating our efforts in our “CO2 Reduction Roadmap”. We have defined SUBARU’s position in the era of electrification as “smart follower,” as we have long been engaged in research and product development related to vehicle electrification technologies. Especially in the past year or two, market trends have changed rapidly, and we feel that U.S. retailers and our most valued customers are also rapidly becoming more interested in climate change issues and electric vehicles.

Deciding that the time was finally right, in May 2022, we launched our first global BEV, the SOLTERRA. The SOLTERRA was jointly developed with Toyota Motor Corporation. The entire team, working together with a passion to build a better car, tackled its development by engaging in a number of frank, uncompromising discussions until they built a car that would satisfy. We have faced the opinion of many that with the coming of the electrification era, SUBARU difference could be lost. However, this vehicle has received many positive assessments from customers and automotive journalists in Japan and overseas, who say that the SUBARU difference is still present, even in a BEV.

This experience has given us confidence that we can make a car with the evolved SUBARU difference even in the era of electrification.

*1 BCP: Business continuity plan

*2 FAST: Fast Action & Solution Team
We will link the growth of the individual to the growth of the organization and enhance employee engagement.

In this once-in-a-century period of revolutionary change in the automotive industry, our human resources are the key to turning environmental change into opportunity, and to carry out activities to carefully nurture relationships with our customers. Our organizational culture has undoubtedly changed over the past several years, and in order to encourage the growth of our human resources, we believe it is necessary to move to the next stage of our various measures toward corporate culture reforms, a priority initiative in “STEP,” as we link the growth of the individual to the growth of the organization.

In the last three years, we have increased opportunities for employee growth and behavioral change through various dialogue sessions aimed at sharing management issues and promoting understanding of the external business environment. With more employees voluntarily raising proposals, I feel an improvement in quality of the dialogues year by year. In FYE March 2023, the Human Resources Department and Corporate Planning Department will work together to accelerate efforts to boost the reforms.

In addition, more and more employees are raising thoughtful, considered proposals to their managers and senior executives. Regarding the strategic restructuring of our domestic production mentioned above, a group of young managers who are in line to lead SUBARU around 2025 to 2027 formed a team and constantly submitted proposals and held bi-weekly discussions with senior executives, helping guide the process to the public announcement in May 2022. A new virtuous cycle is emerging, that not only the traditional “top-down” way to propel measures, but also the growth of individuals who think and act autonomously, is changing corporate culture to increase company value.

We feel that employee engagement has improved with the introduction of a new personnel system in FYE March 2022, encouraging employees to independently develop their own careers and take on challenges. In order to overcome rapidly changing times, it is important to think independently. We will keep expanding the circle of dialogues year by year. In FYE March 2023, the Human Resources Department and Corporate Planning Department will work together to accelerate efforts to boost the reforms.

Toward Delivering Happiness to All

We will further deepen our relationships with customers, to achieve an enjoyable and sustainable society.

In our Vision for 2025 within “STEP,” we declare that we will “Become a brand that is ‘different’ from others by enhancing distinctiveness.” In line with this vision, we will further deepen this relationship between SUBARU and our customers that makes us different from other brands. We do this because we see this relationship as an asset for the SUBARU Group and the SUBARU brand.

This vision of “Delivering happiness to all” is more than just a catchy slogan. When I look at pictures and videos posted on social media by SUBARU customers, I am always moved by the great number of smiling customers with their cars. In these social media posts, as well as in sales and after-sales service, we can see the distinctiveness and true strength of the SUBARU brand as told by our customers.

Also, especially in the U.S., our customers are noteworthy in that they have a high level of awareness about society and global resources, along with an interest in the safety and reliability of SUBARU vehicles. For customers who want to help those in need and to do more for society and the environment, SOA and its retailers have been working since 2008 to meet their needs, providing a range of support for local communities through the Love Campaign for over 14 years.

We will continue to provide “Enjoyment and Peace of Mind” through our various efforts to enrich people’s lives and minds, working to be a partner to our customers and society at large. With our aim to become a company delivering happiness to people, society, and even the Earth, we will strive for the sustainable growth of the SUBARU Group and the achievement of an enjoyable and sustainable society.

We look forward to the continued support of our stakeholders as we build the future of the SUBARU Group.

* M SOA: Subaru of America Inc.
SUBARU's History of Value Creation

We have always been ahead of the curve in using products exemplifying the SUBARU difference to respond to customer needs based in the context of the times. This has created strong relationships with our customers. In particular, we believe that the driver’s universal value of safety is an unshakable strength felt by our customers in our continuous refinement of all kinds of technologies.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Customer needs based on historical context</td>
<td>• Desiring mobility</td>
<td>• Desiring a care ride without worrying about the weather</td>
<td>• Desiring leisure time with friends</td>
<td>• Desiring to bond with cars</td>
<td>• Desiring car safety at all times</td>
</tr>
<tr>
<td>• Desiring mobility</td>
<td>• Desiring an affordable car</td>
<td>• Desiring family fun with a personal vehicle</td>
<td>• Desiring leisure time with friends</td>
<td>• Desiring to manifest unique personality</td>
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</tr>
</tbody>
</table>

SUBARU's value provided through car manufacturing

<table>
<thead>
<tr>
<th>Technology embodying our safety concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobility</td>
</tr>
<tr>
<td>Family mobility for all</td>
</tr>
<tr>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Subaru Aircraft</td>
</tr>
<tr>
<td>1972 Leone 4WD Estate Van</td>
</tr>
<tr>
<td>1997 Three-time World Rally Championship (WRC) winner</td>
</tr>
<tr>
<td>2012 SUBARU XV</td>
</tr>
<tr>
<td>From 2008 Participated in the Nürburgring 24-hour race</td>
</tr>
</tbody>
</table>

Note: The information above is mainly about the Japanese market.
Value Creation Process

With its DNA as an aircraft manufacturer, SUBARU continues to practice the human-oriented approach to Mono-zukuri, where it places top priority on safety. We hope to enrich people’s lives and minds by providing product value that embodies the SUBARU difference in pursuit of safety and rough-road capability, and by continuing to meet the various expectations of our customers who share these values. Toward achieving our vision of becoming a company “Delivering happiness to all,” we will link the growth of the individual (our employees) to the growth of the organization, further evolve “Enjoyment and Peace of Mind,” the value we provide, deepen our relationships with customers, and achieve both sustainable growth for the SUBARU Group and the realization of a sustainable society.

The SUBARU Group’s Unique Business Model

Selection and concentration + Differentiation + Added value

Work style changes
Advancement of innovation in the auto industry

Climate change
Resource recycling
Traffic accidents
Respect for human rights

Achieving an Enjoyable and Sustainable Society

Sustainable Growth of the SUBARU Group

Enjoyment and Peace of Mind

Customer expectations

Development with a focus on individuals
Support individuals who take on challenges
Invest in employee development
Respond to new work styles

Three Priorities in STEP
Corporate Culture Reforms
Quality Enhancement
Evolution of the SUBARU Difference

Six Priority Areas for CSR
People-oriented Car Culture
Resonance and Coexistence
Peace of Mind
Diversity
Environment
Compliance

Delivering Happiness to All

Enriching People’s Minds and Lives

DNA

Management Resources

Financial capital
Manufacturing capital
Intellectual capital
Human capital
Social capital
Natural capital

Commentary on Strategy
Mechanisms Supporting Value Creation
Corporate Data
The SUBARU Group’s Unique Business Model

SUBARU is building a unique business model to achieve its vision of being a company “Delivering happiness to all”. Instead of simply expanding our priorities in our business, products, markets, and development, we aim to achieve sustainable growth by selecting and concentrating our business resources in areas where we can best utilize the technologies and know-how that we have built up over the years as part of the human-oriented approach to Mono-zukuri which SUBARU has maintained throughout its history.

In our automotive business, for example, we select and focus on specific areas to provide enhanced functional value in the form of vehicle safety, durability, and superior handling. This allows us to offer value to our customers in the form of Enjoyment and Peace of Mind. As a result of these efforts, our customers see SUBARU vehicles as more than just a means of transport—they are an essential part of our customers’ lifestyles.

We will continue to meet our customers’ expectations and make efforts to enrich people’s lives. This will allow us to deepen our relationships with our customers and enhance the value of the SUBARU brand.

Enhancing the Most Basic Functions of Our Vehicles to Provide “Enjoyment and Peace of Mind”

SUBARU, which has roots as an aircraft manufacturer, has constantly maintained a human-oriented approach to Mono-zukuri. Even in the midst of changing times, this approach has always been the core of our manufacturing philosophy, allowing us to create various unique and advanced technologies by continually taking on challenges that enrich the lives of our customers and society. Based on this human-oriented approach to Mono-zukuri, SUBARU will continue to enhance the basic functions of our vehicles—expanding our customers’ freedom of movement—to provide customers with Enjoyment and Peace of Mind.

Development based on our customers’ car use in the real world

At SUBARU, we place importance on being practical for our customers, which is why we build cars that match their lifestyles and changing needs. Examples include a touring wagon that combines a spacious luggage compartment with sporty driving performance, and a crossover SUV that combines off-road capability with everyday usability. Meticulous attention to materials, structure, and layout are factors that enhance the safety of the vehicle. This attention to detail enables us to make the frame thin and strong, which results in a high level of both driving visibility and passive safety performance.

Development Focus

If our engineers cannot acquire the equipment they need to identify the source of any differences felt between the ideal and reality, they will create the best possible design drawings.

We aim for our cars to be easy to freely control for anyone in any environment

Unless the driver can control the car freely, they will not be able to drive with Enjoyment and Peace of Mind. The car must respond to the driver’s control of the steering wheel without delay, move smoothly without any awkwardness, and never require steering adjustments when driving straight. This is the kind of car that SUBARU strives for when refining basic performance—a car that anyone can operate freely with peace of mind.

SUBARU does not have dedicated test drivers—that job is carried out by our engineers. Our engineers strive to achieve better basic performance by understanding the level of skills possessed by professional test drivers. This sharpens their ability to feel the difference between the ideal and reality, and theorize the mechanism behind that difference, which they can then reflect in the best possible design drawings.

We by constantly making cars informed not just by hard data, but also by sensory aspects, we are able to exceed the expectations of our customers while accumulating unique theoretical knowledge and know-how.
Enhancing Relationships with Customers — Creating the SUBARU difference for our customers —

We at SUBARU have worked to enhance the functionality of our vehicles, including safety and longevity, as part of our efforts to provide value in the form of “Enjoyment and Peace of Mind.” Our customers tell us about their lifestyles, experiences, and affinity using words that describe their SUBARU vehicle as a part of their lives. Safety is one area where SUBARU has worked to elevate functional value into emotional value in our customers’ minds, and our customers express this value as caring for beloved family and friends.

In the priority market of the U.S., we see many social media posts featuring images and videos of SUBARU vehicles with family members, friends, and pets in front of gorgeous backdrops. This shows us that our customers recognize our vehicles as more than just a means of transportation: they are an integral part of our customers’ lifestyles and aspirations. Many of our customers tell us that they feel attached to our vehicles, and they feel that SUBARU is appealing because it is different to its competitors. This “difference” is truly an asset to the SUBARU brand. The deep relationship between SUBARU and our customers creates emotional value that makes us different from other brands, and we feel strongly that we must continue to enhance it.

We hope the “Enjoyment and Peace of Mind” that the SUBARU Group provides allows our customers to experience greater joy, fulfillment and attachment to our vehicles. This includes driver experiences that offer “Enjoyment and Peace of Mind,” active lifestyles, memorable experiences with loved ones, and a deeper relationship between retailer staff and customers. We will also respond to new expectations from our customers to build a virtuous cycle that further develops our relationships and enhances the SUBARU brand.

Subaru of America, Inc. (hereinafter, “SOA”), which is the local sales management company for the U.S., and its participating retailers work together to make the world a better place all year round with our motto “Do the right things.” Customers who share our values and actively support these activities will not be content with ensuring their own happiness. Instead, they are teachers through the various activities we implement to improve society. These ongoing initiatives allow us to build stronger relationships with our customers and help realize its corporate mission: “We will work to achieve an enjoyable and sustainable society.”

Our goal of being More Than a Car Company®: SOA’s Love Promise® Initiatives

SOA Launches Programs with Love as the Keyword

In the United States, a key SUBARU Group market, SOA has been conducting its Love Campaign since 2008. Every day, SOA receives messages from customers saying things like, “I love my SUBARU.” What really stands out is that so many people use the word “love” to express their feelings about their SUBARU. Launched with love as the keyword, the Love Campaign involves a variety of initiatives that are closely attuned to customer feelings and values. That approach is especially represented during the year-end holiday season by the Share the Love® campaign. Large discounts are the norm during the season, but the Share the Love® campaign gives customers who buy a SUBARU vehicle during this period the chance to have SUBARU donate on their behalf to a charity of their choice. This program is closely attuned to the sensibilities of customers who are committed to social contribution, and has been running for the 14 years since 2008.

SUBARU and its participating retailers donated more than $227 million to over 1,700 hometown charities.

Evolution from Love Campaign to Love Promise – An Initiative That Makes Us More Than a Car Company

The Love Campaign began as a sales promotion initiative, and over the past 14 years has grown into a more significant activity that makes use of community networks built through collaboration with more than 630 retailers across the U.S. SOA and retailers are participating in the Love Promise Community Commitment based on a core belief in helping those in need through charitable efforts, and the concept that everyone connected with SUBARU should feel loved and respected. Focusing on initiatives in five areas of interest, we are making the world a better place through activities for the communities and regions that each retailer calls home. Specifically, in addition to the four organizations1 that SOA partnerships with, retailers independently support community and regional organizations.

Love will guide SOA’s aspirations to transcend what it means to be an automaker with programs to link customers, SUBARU vehicles, and lifestyle values.

1) SOA has partnerships with these four national charity partner beneficiaries: the ASPCA, Make-A-Wish, Meals on Wheels, and the National Park Foundation

U.S. Accolades for the SUBARU Brand

SOA programs, including love Promise® initiatives with retailers and customers, rank highly in U.S. consumer brand evaluations for all industries and in U.S. customer satisfaction surveys. This has helped to enhance the SUBARU brand.

Forbes Halo 100

Forbes ranked SUBARU among the top 10 brands that consumers love.

ACSI®

Subaru has received top ranking in numerous categories in the American Customer Satisfaction index (ACSI) survey for the automotive industry. Safety: Ranked 1st (3 years in a row)* Driving performance: Ranked 1st* Service quality: Ranked 1st* (since 2010) Ranked 1st (5 years in a row)* Reliability; Ranked 1st (10 years in a row)* Value: Ranked 1st* Reliability: Ranked 3rd* (since 2010)

* Compared to all other measured mass-market automobile companies in the 2022 ACSI survey of consumers rating their own automobile. ACSI® is a registered trademark of ACSI, LLC.

* Compared to all other measured mass-market automobile companies in the 2022 ACSI survey of customers rating their own automobile. That list of retailing with other automobile company

Value Creation Story
Commentary on Strategy
Mechanisms Supporting Value Creation
Corporate Data

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Our Evolving Mid-term Management Vision

We aim to be a compelling company with a strong market presence built upon our customer-first principle. Under this corporate statement, we have worked to enhance the appeal of the SUBARU brand by offering customers “Enjoyment and Peace of Mind.” We will work to achieve our vision of “Delivering happiness to all” by promoting our mid-term management vision “STEP.”

2007–2010 Customer Satisfaction: Our Customers Are Everything
At the time of announcement: Representative Director of the Board, President and CEO Ikuo Mori

- Essential features
  - With the philosophy of “customers come first” at its core, focusing on improving profitability and investing in growth areas with management resources
  - Major challenges
    1. To provide a distinctive SUBARU experience for drivers and passengers
    2. To increase sales globally (Most important market: U.S.)
    3. To strengthen competitiveness in quality and cost
    4. To also grow through the business alliance with Toyota
    5. To grow the level of employee competence and so enhance the organization
- Achievements
  - Sharing the mindset of “customers come first” within the Group
  - Globalization of products
  - World’s leading safety performance
  - Expanding sales in U.S. (the most important market)
  - Reform of profit structure by reducing costs
  - Issues
    - Lowering sensitivity to foreign currency fluctuations
    - Increasing sales in emerging countries including China
    - Developing environmental technology and products
    - Autonomy of three internal companies* 
    - Flexibility to adapt to changes in business environment
  - * Aerospace Company, Industrial Products Company, Eco Technologies Company

2011–2013 Motion-V
At the time of announcement: Representative Director of the Board, President and CEO Yasuyuki Yoshinaga

- Management philosophy
  - Aiming to be a compelling company with a strong market presence built upon its customer-first principle
  - Free themes
    1. Guiding principle for all activities “Confidence in Motion”
    2. Promote the brand strategy
    3. Provide value to customers and Enjoyment and Peace of Mind
    4. With the basic philosophy of “customers come first,”
    5. Provide distinctive SUBARU experience
    6. Strengthen sales force and the availability of automotive supply,
    7. Accelerate sales expansion
    8. Overhaul of cost structure and promote alliance with Toyota,
    9. Solidly operational foundation
    10. Back-up concrete approaches for business,
    11. Improvement in Management
- Achievements
  - XV/X/30V strategy succeeded
  - Boosted sales through U.S.-oriented product development
  - Highly rated collision safety and EyeSight
  - Cost reduction activities paid off
  - Achieved low-incentive sales
  - Achieved highly efficient production
- Issues
  - Compliance with future environmental regulations
  - Production capacity shortages
  - Responding to the needs of new customers
  - Sensitivity to currency fluctuations

Note: The Motion-V mid-term management plan, originally intended to run from 2011 to 2015, was completed ahead of schedule in FYE March 2014. Prominence 2020, the new mid-term management vision, was launched in FYE March 2015.

2014–2017 Prominence 2020
At the time of announcement: Representative Director of the Board, President and CEO Tomomi Nakamura

- Management philosophy
  - Aiming to be a compelling company with a strong market presence built upon its customer-first principle
  - Reason for formulation
    - Pursue the goal of sustainable growth and development by boosting competitiveness and building a solid business platform at a new stage
    - Vision for 2020
      - Corporate vision
        - Not big in size, but a high-quality company with distinctive strengths
        - Specific goals
          - No. 1 for customer trust
          - Strong brand
          - Among the most profitable companies in the industry
          - Vehicle sales of 1.3 million-plus units
      - Direction for mid-term management vision
        - Enhancing the SUBARU brand
        - Inverse tolerance to changes in the business environment
        - Building a strong business structure
- Achievement
  - Among the most profitable companies in the industry
- Issues
  - Strong brand
  - Vehicle sales of 1.2 million-plus units
  - No. 1 for customer trust

Note: A progress report on "STEP" was made in May 2021, and content was partially updated.

2018–2025 STEP
Representative Director of the Board, President and CEO Tomomi Nakamura

- Corporate statement
  - We aim to be a compelling company with a strong market presence built upon our customer-first principle
  - Value statement
    - Enjoyment and Peace of Mind
    - Vision
      - Delivering happiness to all
    - Vision for 2025
      - Major challenges
        - Corporate culture reforms
        - Quality enhancement
        - Evolution of the SUBARU difference

Consolidated Automobile Unit Sales and Operating Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S.</th>
<th>Overseas (Excl. the U.S.)</th>
<th>Japan</th>
<th>Operating margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>597</td>
<td>555</td>
<td>563</td>
<td>13.2</td>
</tr>
<tr>
<td>2009</td>
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<td>2010</td>
<td>567</td>
<td>663</td>
<td>668</td>
<td>13.2</td>
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<td>624</td>
<td>724</td>
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</table>
Mid-term Management Vision “STEP”: Overview

Creating the Mid-Term Management Vision

In July of 2018, we formulated our mid-term management vision “STEP,” with the goal of building trust and resonating with customers by providing “Enjoyment and Peace of Mind.” Then, in May 2021, we reported on our progress so far.

- **Background**
  - Changes in the external environment
  - Once-in-a-century changes in a mobility society
  - Strategies from the company’s rapid growth
  - Lacking fundamental corporate strength

- **Intentions in developing the mid-term management vision**
  - Restore trust by cultivating fundamental corporate strength as soon as possible.
  - Stay true to the brand principle of providing “Enjoyment and Peace of Mind” to our customers.
  - Make SUBARU more than just a company that is trusted by, and resonates with, our customers.

Concept and Timeline

- **Vision for 2025**
  - Become a brand that is “different” from others by enhancing distinctiveness.
  - Engage in business activities that resonate with customers by putting them center-stage.
  - Fulfill corporate social responsibilities by contributing to diversifying social needs.

- **Mission-V Prominence 2020**
- **Vision for 2025**
- **Vision for 2030 (Provisional)**

**“STEP”** is an acronym formed from the initial letters of Speed, Trust, Engagement, and Peace of Mind and Enjoyment, which are four important elements of the vision. The letter “T” is emphasized in the logo as SUBARU considers trust to be the most important element of all. The name also expresses the Company’s determination to take “steady, strong steps” before a future jump over social changes.

Market Strategy

We aim to maintain and expand our market share in each market by increasing the value we provide to our customers and enhancing the strength of our brand. In our priority market of the U.S., we are making progress toward a 5% market share.

- **Market share for SUBARU vehicles in the U.S.**
  - **2011**
  - **2012**
  - **2013**
  - **2014**
  - **2015**
  - **2016**
  - **2017**
  - **2018**
  - **2019**
  - **2020**
  - **2021 (Year)**

Profit Direction and Capital Policy

- **ROE** At least 10% (target)
- **Capital equity ratio** 50% (minimum)

<table>
<thead>
<tr>
<th>Shareholder returns</th>
<th>Capital Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated payout ratio</td>
<td>30%–50%</td>
</tr>
<tr>
<td>Share repurchases</td>
<td>Conduct flexibly</td>
</tr>
</tbody>
</table>

- We aim for an industry-leading operating margin (8%).
- Capital expenditures and R&D expenditures will be steadily executed for initiatives aimed at enhancing the SUBARU difference.
- Capital expenditures: In addition to recurring investment (3.5% to 4.0% of revenue), full-scale investment in reorganizing the domestic production system will begin in FYE March 2024 (250 billion yen over five years).
- R&D expenditures: 120 billion yen level/year
- We aim for a ROE of at least 10% while ensuring a capital equity ratio of 50%.
- Our stance on shareholder returns remains unchanged.
  - Positioning dividends as the main form of return to shareholders with emphasis on stable, continuous returns. Based on the performance-linked approach, dividend payments will be determined considering the business performance of each fiscal year, investment plans, and the business environment. (Consolidated payout ratio: 30%–50%)
  - Conducting share repurchases flexibly in line with our cash flow.

Value Creation Story Mechanisms Supporting Value Creation Commentary on Strategy Corporate Data
SUBARU Group’s Six Priority Areas for CSR

In accordance with SUBARU’s mid-term management vision “STEP,” the SUBARU Group established the Six Priority Areas for CSR: People-oriented Car Culture, Resonance and Coexistence, Peace of Mind, Diversity, Environment, and Compliance. To select the priority areas, the SUBARU Group first identified 41 CSR priority topics for which social needs were high and then conducted a questionnaire among experts and investors in North America and Japan. The responses and opinions we received were used in an assessment and exploration of these areas from two perspectives: areas in which we can engage the community by leveraging our business strengths, and areas related to the demands of society. As a result, the SUBARU Group selected People-oriented Car Culture, Resonance and Coexistence, Peace of Mind, and Diversity as the four areas where SUBARU could engage our communities by leveraging our business strengths, and Peace of Mind, Diversity, Environment, and Compliance as the four areas where the SUBARU Group could work to meet the demands of society. Peace of Mind and Diversity appear in both categories, because Peace of Mind is an area in which society’s needs and the strengths of the SUBARU Group’s business coincide, while Diversity refers not only to diversity in the community, but also to diversity in a broad sense, including in the products that the SUBARU Group offers to customers. In May 2021, SUBARU announced its progress report for mid-term management vision “STEP.” Its priority areas in this vision are fundamentally unchanged. Based on the SUBARU Global Sustainability Policy, SUBARU will promote initiatives in the Six Priority Areas for CSR on a group-wide, global basis with the goal of becoming a company “ Delivering happiness to all.”

SUBARU Global Sustainability Policy

Until recently, the SUBARU Group promoted various initiatives in line with its CSR Policy, revised in June 2019. However, to cope with changes in the social environment and in relationships with our stakeholders, we established the “SUBARU Global Sustainability Policy” in April 2020 as a guideline to be shared by all Group employees on a global basis. This Policy is applied to Subaru Corporation and all its subsidiaries.

**Six Priority Areas for CSR: Visions for 2025 and Relevant SDGs**

The Sustainable Development Goals (SDGs) for 2030 are development goals for achieving a sustainable future, and the SUBARU Group recognizes the importance of responding to these goals. By clarifying visions for 2025 regarding the Group’s Six Priority Areas for CSR, SUBARU will reinforce its efforts in each priority area and make positive contributions toward achieving the SDGs. Specifically, we acknowledge that the SUBARU Group’s initiative to achieve a goal of zero fatal accidents by 2030 contributes to Target 3.6 of the SDGs: “By 2030, halve the number of global deaths and injuries from road traffic accidents.”

* Reducing to zero the number of fatal accidents occurring while a driver or passenger is in a SUBARU vehicle and the number of fatalities among pedestrians, cyclists, and the like arising from collisions with a SUBARU vehicle.

**People-oriented Car Culture**

**Basic Concepts**

People-oriented Car Culture

**Visions for 2025**

Become a company that enriches people’s lives and minds as a partner.

**Relevant SDGs**

- Promote businesses that create diverse forms of market value while respecting the diverse values of all people.
- Cherish and protect the global environment—The earth, the sky and nature—through Group-wide activities.
- Cherish and protect the global environment—The earth, the sky and nature—through Group-wide activities.
- Act in good faith and become a company that is trusted by stakeholders.

**Resonance and Coexistence**

**Basic Concepts**

Resonance and Coexistence

**Visions for 2025**

Become a company that is widely trusted by stakeholders.

**Relevant SDGs**

- Becomes a company that is widely trusted by stakeholders.
- Resists the expansion of the human ecosystem “Enjoyment and Peace of Mind”
- Resists the expansion of the human ecosystem “Enjoyment and Peace of Mind”
- Promote businesses that create diverse forms of market value while respecting the diverse values of all people.
- Cherish and protect the global environment—The earth, the sky and nature—through Group-wide activities.
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**Peace of Mind**

**Basic Concepts**

Peace of Mind

**Visions for 2025**

Become a company that provides all stakeholders with the utmost peace of mind.

**Relevant SDGs**

- Promote businesses that create diverse forms of market value while respecting the diverse values of all people.
- Cherish and protect the global environment—The earth, the sky and nature—through Group-wide activities.
- Cherish and protect the global environment—The earth, the sky and nature—through Group-wide activities.
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**Diversity**

**Basic Concepts**

Diversity

**Visions for 2025**

Become a company that provides all stakeholders with the utmost peace of mind.

**Relevant SDGs**

- Promote businesses that create diverse forms of market value while respecting the diverse values of all people.
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**Environment**

**Basic Concepts**

Environment

**Visions for 2025**

Become a company that provides all stakeholders with the utmost peace of mind.

**Relevant SDGs**

- Promote businesses that create diverse forms of market value while respecting the diverse values of all people.
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**Compliance**

**Basic Concepts**

Compliance

**Visions for 2025**

Become a company that provides all stakeholders with the utmost peace of mind.

**Relevant SDGs**

- Promote businesses that create diverse forms of market value while respecting the diverse values of all people.
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Mid-term Management Vision “STEP”: Progress of Key Initiatives

Corporate Culture Reforms

Based on our slogan for Corporate Culture Reforms, “Change mindset, change behavior, change the company,” we have continuously held company-wide activities, including various dialogues to share information about business challenges and learn about businesses outside the Company. Specifically, from FYE March 2022 we launched our Dialogue with the President and External Dialogue, which management leaders from other companies are invited to. These are held in addition to the existing Officer Speak Relay and Dialogue with General Managers Relay that began in FYE March 2020. We are steadily increasing these activities to change the mindset of individual employees and their behavior. The enhancement and utilization of IT tools was accelerated by the COVID-19 pandemic, providing the momentum that is helping to revitalize the organization by generating spontaneous company-wide communication spanning a range of departments and job positions. As a result, employees are feeling the effects of these changes, with Employee Attitudes Survey scores for “openness in the workplace” showing continuous improvement for the fourth straight year.

From Individual Growth to Organizational Growth: the Human Resources Department and Corporate Culture Reform activities focused on the growth and development of individual employees, and we will boost engagement so that each employee can feel their growth and job satisfaction. In FYE March 2023, we have integrated Corporate Culture Reforms, formerly led by the Corporate Planning Department, with Workstyle Reforms and our Personnel Strategy led by the Human Resources Department, and those 2 departments will work together to accelerate efforts to boost the reforms.

Quality Enhancement

SUBARU is pursuing Quality Enhancement initiatives as a key theme of its mid-term management vision, “STEP”. We are promoting activities in three areas to achieve Quality Enhancement: 1) Thorough implementation of a “Quality-First” mindset and reinforcement of organizational efforts and structure, 2) Execution Quality Enhancement, and 3) Innate Quality enhancement. While we have made steady progress in these areas, we have not been able to fully present our achievements to customers and dealerships. High quality is the bedrock of the brand and the source of the added-value strategy. We will continue to proactively promote Quality Enhancement and aim to produce results in a consistent manner.

1. Thorough Implementation of a “Quality-First” Mindset and Reinforcement of Organizational Efforts and Structure

To establish the foundation for quality enhancement, we are reviewing our quality policy and renewing quality manuals to redefine SUBARU’s vision. We are also carrying out ongoing company-wide educational and reflection activities, such as Quality Caravan events and activities to prevent lessons learned in the past from fading away, to encourage renewed quality awareness among individual employees. 

2. Execution Quality Enhancement

This initiative aims to prevent the flow of defects downstream after the production preparation stage. We are promoting initiatives to rigorously implement measures to resolve defects that have occurred in the market, and improve the response speed of quality improvement. Specifically, we set up FAST*, a quality improvement team, to strengthen the quality assurance system and promote rapid issue resolution in North America. At the same time, we are working to establish the QA Lab at our Gunma Plant to enhance our ability to investigate the causes of defects, investigate defect trends using artificial intelligence (AI), and strengthen parts traceability. [*FAST: Fast Action and Sydney Team]

3. Innate Quality Enhancement

Innate Quality Enhancement involves reforming all processes from the initial planning stages to development and design. This allows us to ensure quality throughout the entire manufacturing process, from the earliest stages of development to production and distribution. Employees responsible for development will be given more authority and there will be a stronger focus on the use of stage gate project management for quality targets from the initial development stages. We are also changing development processes so that a project cannot proceed to the next stage until it has cleared the previous stage.

From Individual Growth to Organizational Growth: the Human Resources Department and Corporate Planning Department will work together to accelerate reforms

Now that employees have become accustomed to thinking and acting on their own volition, from FYE March 2022 onward, we are implementing Corporate Culture Reform activities focused on the growth and development of individual employees, and we will boost engagement so that each employee can feel their growth and job satisfaction. In FYE March 2023, we have integrated Corporate Culture Reforms, formerly led by the Corporate Planning Department, with Workstyle Reforms and our Personnel Strategy led by the Human Resources Department, and those 2 departments will work together to accelerate efforts to boost the reforms.

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In our mid-term management vision “STEP” announced in 2018, we declared our goal of working toward zero-fatality road safety by 2030, attaching particular importance to protecting lives.

SUBARU will enhance the safety performance of its cars from every perspective as we aim to achieve zero-fatality road safety by 2030. We will do this by making the four existing areas of Primary Safety, Active Safety, Preventive Safety, and Passive Safety even better, while also adding Connected Safety.

*6 In the IIHS’s publication of vehicle safety information, the TOP SAFETY PICK (TSP) Award is given to vehicles that have standard equipped headlights that are rated “Acceptable” or higher are awarded the TOP SAFETY PICK+ (TSP+) Award.

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## Contributing to the Achievement of a Carbon-Free Society by Further Enhancing the SUBARU Difference

SUBARU will contribute to a zero-carbon society by demonstrating the SUBARU difference through distinctiveness and technological innovation. Specifically, our plan is to ensure that at least 40% of SUBARU global sales are battery electric vehicles (BEVs)*1 and hybrid electric vehicles (HEVs) by 2030. We also aim to apply electric powertrain technology to all new SUBARU vehicles sold worldwide by the early 2030s. By 2030, we aim to reduce well-to-wheel*2 CO₂ emissions by 90% or more*3 compared to 2010 levels.

*1 BEV: Battery electric vehicle
*2 Well-to-Wheel: Approach to calculating CO₂ emissions including the emissions produced by the generation of electricity to be used by EVs and other vehicles
*3 Reducing total CO₂ emissions calculated based on the fuel efficiency (notified value) of all SUBARU automobiles sold across the world in 2050 by 90% or more relative to 2010 levels. Changes in the sales quantity due to changes in the market environment will be taken into consideration, while minor changes such as driving distance will not.

### Environmental efforts with commitment to enhancing the SUBARU difference

#### CO₂ reduction roadmap

- **2030**  Make at least 40% of SUBARU global sales BEVs or HEVs.
- **By the 1st half of the 2030s**  Apply electrification technologies*5 to all SUBARU vehicles*6 sold worldwide.
- **2050**  Reduce average well-to-wheel CO₂ emissions from new vehicles sold worldwide by at least 90% compared to 2010 levels.

**We will continue to enhance the SUBARU Difference in the age of electrification and accelerate the roadmap toward 2050.**

#### New Model BEV—SOLTERRA

The SOLTERRA is SUBARU’s first global BEV that is packed with “Enjoyment and Peace of Mind”, carefully cultivated by our company over many years. Customers can choose this environmentally friendly and practical model with the same peace of mind as previous SUBARU vehicles.

This development project was carried out jointly with Toyota Motor Corporation (hereinafter, “Toyota”). During the process of creating a truly outstanding vehicle, both companies knew the SOLTERRA would serve as the foundation for future SUBARU BEV models, and made a firm commitment to create a BEV that would feel like any other SUBARU model to customers.

Under the motto, “Let’s fight nice and friendly,” both companies engaged on an equal footing. Rather than compromise, we held repeated discussions with Toyota’s team, which, as a result, enabled us to fully realize SUBARU’s unique approach to car manufacturing.

The AWD system, unique to BEVs, uses separate motors to drive the front and rear wheels. This system leverages technology built up by SUBARU over the years for exerting precise control of all four tires, and superior responsiveness and flexible front-rear power distribution afforded only by a motor. This achieves excellent driving stability that uses the gripping force of all four wheels to their maximum potential.

A notable feature of the newly developed e-SUBARU Global Platform is the partial integration of the battery in the frame, which achieves more strength and rigidity than ever before. This contributes to better handling stability and allows drivers to enjoy the driving quality of a SUBARU. The structural architecture efficiently absorbs collision energy to thoroughly protect not just the passengers, but also various electronic components.

At test driving events for automotive journalists held in Japan, the U.S., and Europe, many drivers said they were able to actually feel the SUBARU difference. Going forward, we will pay close attention to feedback from our customers and link it to our future BEV strategy.

#### Reorganization Plan for Our Domestic Production System

Although it is difficult to precisely predict the timing of the large-scale transition to BEVs that is expected to arrive in the future, we are planning a strategic reorganization of our domestic production system to ensure that we can respond to this change. We are considering starting in-house production of BEVs (around 2025 is our target) and adding a specialized BEV production line after 2027 to increase the number of models and units. Additionally, we are intensively working to use the next-generation e-BOXER system, which uses the TOYOTA Hybrid System (THS), on our horizontally-opposed engine, in several models.

During the transition period to BEVs, we will establish a flexible system that can also produce gasoline and hybrid vehicles to achieve even more highly efficient BEV production, with the aim of improving our business performance.

We will continue to provide products which satisfy our customers while carefully monitoring trends related to the market and environmental regulations, as well as the convenience of BEVs, including infrastructure.

### Strategic reorganization of domestic production for the expansion and acceleration of electrified vehicle development

<table>
<thead>
<tr>
<th>2022</th>
<th>Mid-2020s</th>
<th>2027 and beyond</th>
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</thead>
<tbody>
<tr>
<td><strong>BEV</strong></td>
<td>SOLTERRA released <strong>(Production launch through the alliance)</strong></td>
<td></td>
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<tr>
<td></td>
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<tr>
<td><strong>HEV</strong></td>
<td>Introducing next-generation HEV models (Adopting THS* technology)</td>
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*THS: TOYOTA Hybrid System
**Human Resource Development** — from Individual Growth to Organizational Growth

We intend to achieve continued sustainable growth for the SUBARU Group amid a rapidly changing business environment. In order to do so, it is important to cultivate human resources who think and act individually in response to various changes.

We will boost employee engagement by promoting the training of human resources who will lead SUBARU in the future to fulfill our vision of “Delivering happiness to all”, and link individual growth to organizational growth.

**New Personnel System**

In April 2021, we launched a new personnel system that encourages employees to take on new challenges.

The three points below outline our organizational ideals under the new personnel system. We will achieve the organizational cultural reforms promoted by our mid-term management vision “STEP”, and strive to change the mindsets and behaviors of our employees.

1. Employees who take on new challenges can grow and succeed
2. Evaluations and treatment are fair and commensurate with work
3. Human resources with a diverse set of abilities can succeed

**<Main initiatives of the new personnel system>**

We are promoting the following five actions as the main measures of the new personnel system:

1. Introduce a personnel system that enables faster promotions and personnel selection than before by focusing on results achieved by taking on challenges, rather than age or experience
2. Revise the pay system into a more dynamic scheme by discouraging seniority-based pay, encouraging pay rises by rising through ranks, and paying bonuses based on results
3. Introduce a specialist system aimed at boosting the technical capabilities and motivation of engineers
4. Introduce a new re-employment system that promotes the active participation of diverse human resources, including seniors, in active roles
5. Abolish the executive age limit for management-level personnel, and introduce a system that appoints them based on the skill development they need to fulfill their personal career plan and their individual strengths and weaknesses.

**Appropriate evaluations and compensation**

**Enhancing corporate value**

**Organizational growth**

**Boosting engagement**

**Individual growth**

**Encouraging autonomy**

Fostering a better corporate culture

**Diversity**

**Capability improvements (investment in training)**

**Job rotation system to ensure the right person in the right position**

**Improvement activities in the workplace**

**Identifying with our corporate philosophy**

**Job satisfaction and fulfillment**

**Career design sheet**

**Career interview**

**New careers**

**Career training**

**Skill development (autonomous)**

**Open-call job rotation**

**Strategic job rotation**

**Value Creation Story**

**Mechanisms Supporting Value Creation**

**Commentary on Strategy**

**Corporate Data**

**Human Resource Development that Encourages Employees to be Autonomous and take on New Challenges to Achieve their Goals**

SUBARU promotes various initiatives where the ideal employee is defined as someone who continues to take on new challenges independently based on their affinity with SUBARU’s philosophy.

**Career training and career support**

We provide career training as an opportunity for each employee to take a look back at their career progression. They analyze their current strengths and weaknesses so they can develop their careers autonomously. Employees visualize and share where they want to be and what they want to achieve in the next three to 10 years using a career design sheet. We also offer career management training and career consultations for managers so that they can receive support for their career development from their workplaces and supervisors.

**Autonomous skill development programs**

SUBARU offers a range of programs to assist with business skill development for all employees, including regular employees and management-level personnel. Programs can be chosen according to the employee’s skill level and their reason for acquiring additional skills. We provide support to employees so that they can think independently and choose the skill development they need based on their personal career plan and their individual strengths and weaknesses. We are also proactively utilizing external seminars to increase opportunities to learn and connect with people outside the Company to gain new insights.

As a result of these efforts, the score for “Opportunities for improving abilities” in the Employee Attitudes Survey in FYE March 2022 improved significantly by more than six points compared to the previous fiscal year.

SUBARU offers training for selected managers and mid-level employees with the aim of continually fostering the next generation of managerial talent.

**Open-call job rotation**

SUBARU introduced an open-call job rotation system in FYE March 2022 as a scheme to support employees in developing their ideal careers. Many departments are already making use of this system. Employees can choose to apply for positions available in each department (open calls include job description, conditions, etc.) If both parties agree to the conditions of employment, the employee is transferred to their new position. This system leads to improved motivation as employees utilize their skills and acquire knowledge in new areas.

Each of these initiatives are promoted throughout the SUBARU Group, and are being carried out at affiliated companies around the world in accordance with regional characteristics.
Diversity Management

The SUBARU Group aims to continue creating the unique value provided by the SUBARU brand. To achieve this goal, SUBARU employees with a diverse range of individual characteristics and values need to be able to fully utilize their own unique talents. This is why SUBARU respects diversity in the form of gender, nationality, culture, and lifestyle, and strives to create a positive workplace environment for everyone. In addition, SUBARU’s affiliated companies in Japan and overseas promote initiatives in accordance with the business domains of each company and regional characteristics. In January 2015, we established the Diversity Promotion Office to facilitate active participation by all human resources including female employees, mid-career hires, and foreign national employees. This office strives to create employee-friendly workplace environments, place the right human resources in the right positions, develop human resources, and facilitate promotions to managerial positions. The office recognizes that promoting active roles for female employees is a top priority. Efforts are being made to create work environments where all human resources can work in an enthusiastic manner. In 2020, we began holding regular online seminars by outside speakers on topics such as LGBT issues and the employment of people with disabilities. In 2021, we set up an external hotline for consultation about LGBT-related issues.

Empowerment of female employees

SUBARU is working to promote active roles for female employees by establishing Support for Balancing Work and Childcare and Support for Career Development as the two pillars of its action plan that will continue until March 2026. We are also supporting the health of female employees so that they can continue working throughout various life events. We aim to more than double the number of female employees in managerial positions by 2025 compared with the level in 2021. As of the end of March 2022, 24 of the 1,113 employees in managerial positions were women. We also established the Women’s Leadership Program (WLP) to develop our human resources. Female employees seeking managerial positions share their career plans, goals, and challenges, and the program then provides guidance and training tailored to each individual. We are working to empower women to develop their own unique careers, including providing training for female leaders by establishing a career training system for all women at our company, from young employees to managers. We are also holding health seminars for employees and their managers to promote better awareness about physical changes that women experience at particular ages and phases in their lives.

Through these efforts and unconscious bias training, we are working to develop a corporate culture and workplace environment that facilitates active participation by everyone, allowing each person to make the most of their individual abilities.

Foreign national employees

The SUBARU Group hires human resources best suited to the policies and business activities of each location, regardless of their nationality. SUBARU employs 87 foreign nationals as of the end of March 2022. There are two foreign national employees in managerial posts at manufacturing and engineering departments. We will continue to hire foreign nationals based on their individual capabilities and qualities, and promote them to managerial positions without discrimination.

Mid-career hires

SUBARU has been actively promoting mid-career recruitment in recent years to respond to changes in the business environment and achieve sustainable growth. There were 4,059 mid-career hires working as regular employees as of the end of March 2022. We are supporting the health of female employees so that they can continue working throughout various life events. We aim to more than double the number of female employees in managerial positions by 2025 compared with the level in 2021. As of the end of March 2022, 24 of the 1,113 employees in managerial positions were women. We also established the Women’s Leadership Program (WLP) to develop our human resources. Female employees seeking managerial positions share their career plans, goals, and challenges, and the program then provides guidance and training tailored to each individual. We are working to empower women to develop their own unique careers, including providing training for female leaders by establishing a career training system for all women at our company, from young employees to managers. We are also holding health seminars for employees and their managers to promote better awareness about physical changes that women experience at particular ages and phases in their lives.

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Employee Engagement

Employee engagement (employee satisfaction rating) is a rating in the Employee Attitudes Survey that reflects fulfillment from work and pride in the company. We are implementing various initiatives aimed at boosting this rating to 70% by 2025. From FYE March 2023, compensation for directors will be subject to an employee engagement rating (employee satisfaction rating) as a qualitative (non-financial) evaluation criterion.

Efforts to Boost Employee Engagement

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Various Initiatives Aimed at an Employee Engagement Rating (Employee Satisfaction Rating) of 70% by 2025

- Employee engagement
  - Fulfillment from work
  - Pride in the company

Employee engagement is defined as “Fulfillment from work” and “Pride in the company.” The survey results are reported to senior executive management, and are also utilized to identify problems and formulate countermeasures at each of our workplaces.

Employee Attitudes Survey

This survey has been conducted every year since FYE March 2018 with the purpose of creating a company where employees are happy and everyone can work in a vibrant and energetic atmosphere. It uses data to objectively understand changes in employee attitudes and changes in the workplace environment, while also gathering opinions from our employees. After the improper conduct related to the final vehicle inspection issues in 2017, scores for items such as “Fulfillment from work” and “Pride in the company” dropped sharply. This is why we use the Employee Attitudes Survey to verify the effectiveness of our initiatives to change the corporate culture, enhance quality, and create workplace environments that are open to new ideas. The survey results are reported to senior executive management, and are also utilized to identify problems and formulate countermeasures at each of our workplaces. In FYE March 2022, 16,536 people, 94.7% of all regular employees, responded to the survey. The scores showed an overall upward trend compared to FYE March 2021, and the score related to “Opportunities for improving abilities” rose dramatically as an effect of introducing the new personnel system and educational programs.

Results of the Employee Attitudes Survey

Percentage of employees who responded positively

Note 1: “Communication, Open culture” is the same item as “Communication in the workplace” in the Workplace Environment Survey, in accordance with the SUBARU Management Policies. The Culture Reform,” and “In the Employee Attitudes Survey results for FYE March 2022.

Note 2: The results represent selected questions from the Employee Attitudes Survey.
Promoting Health Management

To achieve its vision of a company that delivers happiness to all, SUBARU is promoting health management initiatives along with occupational health and safety activities so that all employees can maintain their health, well-being, and enthusiasm as they work, while also taking on challenges and achieving growth. SUBARU is implementing these actions based on the belief that the health of employees and their families is the foundation of all our business operations. SUBARU is also working on activities to provide a more comfortable working environment, such as supporting the physical and mental health of its employees as well as building a healthy organization and promoting flexible working styles.

SUBARU Health Declaration

Purpose

In pursuit of becoming a company “Delivering happiness to all” and based on our Global Sustainability Policy of “striving to achieve both counts of work fulfillment and achieving a comfortable workplace, thereby fostering a healthy work culture,” SUBARU CORPORATION, the Subaru Labor Union, and the Subaru Health Insurance Association jointly released the Health Declaration in October 2020 with the intent that the three parties work in unison toward health.

Health Declaration

To build happiness for our employees and their families, we need a foundation of mental and physical health. SUBARU works with its employees to promote health and preventive care, taking on the challenge of building workplaces full of smiles and enabling growth.

Overview of SUBARU health management

SUBARU considers health improvement activities to be a management issue, and has reported on progress, issues, and measures related to health management at Board meetings since FYE March 2021. Throughout the year, we communicate this information to all employees using internal newsletters, and notices on measures to promote health. SUBARU, labor unions, and the health insurance labor union cooperate in perpetuating a plan-do-check-act (PDCA) cycle with employees by visualizing issues related to the three elements of health management: physical health, mental health, and organizational health.

Maintaining health boosts productivity, which leads to benefits such as employees’ ability to continue working actively in the workplace, and the ability to secure talented human resources in the future. It also boosts employee engagement on both counts of work fulfillment and achieving a comfortable workplace, thereby fostering a healthy work culture.

Main initiatives for health management

<table>
<thead>
<tr>
<th>Elements</th>
<th>Health issues</th>
<th>Key initiatives for FYE March 2023</th>
<th>Outcome index</th>
<th>Health management goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical health</td>
<td>Regular health checkup rate: 100%</td>
<td>Boosting the rate of follow-up medical examinations and follow-up medical examinations by providing medical records</td>
<td>Reducing absenteeism</td>
<td>Attracts people through enthusiasm, and becomes the driving power of a healthy company (back-up fulfillment)</td>
</tr>
<tr>
<td></td>
<td>Follow-up examination rate: 50%</td>
<td>Implementing measures to reduce BPH (already diagnosed) for those over 50 years old</td>
<td>Reducing presenteeism</td>
<td>Boosts work-life balance, and allows employees to concentrate on work (comfortable working environment)</td>
</tr>
<tr>
<td></td>
<td>Physical training to enable work on the factory floor until age 65</td>
<td>Measuring physical strength, and implementing preventive programs and taking measures to prevent musculoskeletal disorders</td>
<td>Boosting engagement</td>
<td>Creates a comfortable workplace where employees can do their best</td>
</tr>
<tr>
<td></td>
<td>Physical training to enable work on the factory floor until age 65</td>
<td>Adding female-specific cancers to regular health check-ups, and providing support for the top five cancers</td>
<td>Improving mental safety in the workplace</td>
<td>Fosters a healthy culture</td>
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<tr>
<td></td>
<td></td>
<td>Promoting quit smoking clinics and subsidies for online smoking cessation clinics</td>
<td></td>
<td>- Corporate culture change: Open new ideas</td>
</tr>
<tr>
<td>Mental health</td>
<td>Rate of employees receiving health screening: 95% or more</td>
<td>Utilizing stress checks (Workplace Improvement Promotion Section, mental health survey) and identifying personal characteristics and increasing employee mental health status for workovers</td>
<td></td>
<td>- Corporate culture change: Open new ideas</td>
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<tr>
<td></td>
<td></td>
<td>Currently being gradually introduced to back-office departments throughout the company</td>
<td></td>
<td>- Corporate culture change: Open new ideas</td>
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<tr>
<td></td>
<td></td>
<td>Strengthening cooperation between supervisors, the employee experience, health issues, and industrial health staff through various training and health activities</td>
<td></td>
<td>- Corporate culture change: Open new ideas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strengthening cooperation between supervisors, the employee experience, health issues, and industrial health staff through various training and health activities</td>
<td></td>
<td>- Corporate culture change: Open new ideas</td>
</tr>
<tr>
<td>Organizational health</td>
<td>Responses to new work style: Optimization of working hours and productivity enhancement</td>
<td>Implementation of hybrid work style (working in conjunction with office reforms and creating opportunities for employees to gather and communicate)</td>
<td></td>
<td>- Corporate culture change: Open new ideas</td>
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<tr>
<td></td>
<td></td>
<td>Work-life balance/secure time away from work</td>
<td></td>
<td>- Corporate culture change: Open new ideas</td>
</tr>
<tr>
<td></td>
<td>Creating comfortable workplaces through activities that praise, recognize, and show appreciation to employees</td>
<td></td>
<td></td>
<td>- Corporate culture change: Open new ideas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Activities to revitalize informal communication</td>
<td></td>
<td>- Corporate culture change: Open new ideas</td>
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<tr>
<td></td>
<td></td>
<td>Harassment prevention activities</td>
<td></td>
<td>- Corporate culture change: Open new ideas</td>
</tr>
</tbody>
</table>

Initiatives to prevent harassment

SUBARU is strengthening initiatives to prevent harassment and to promote workplace culture reforms as the foundation of a company that is open to new ideas. We conduct intensive awareness-raising activities to boost momentum for creating harassment-free workplaces, in conjunction with the No Workplace Harassment Month held every December by the Ministry of Health, Labour and Welfare. Specifically, we hold study sessions as part of our workplace management where opinions are exchanged and action statements are made about measures to prevent and mitigate power harassment.

Integrated Report 2022
Handing Down and Enhancing the SUBARU Difference —Working with the Engineers of Tomorrow

**SUBARU Driving Academy: Training engineers who can drive, feel, consider, and quantify**

SUBARU does not employ dedicated test drivers because our engineers assess all of our cars in the development stage. Our engineers want to deliver products that make our customers satisfied, so they drive our cars while assessing sensory qualities that are difficult to express numerically, such as Enjoyment and Peace of Mind. They then reflect their observations in the design drawings after studying their observations theoretically.

SUBARU’s strength comes from having the same engineer handle the entire process of driving, feeling, considering, and quantifying instead of dividing it among multiple staff. This is the purpose of the SUBARU Driving Academy (SDA). It exists to further refine these skills to allow the creation of even better cars.

Often, clear sensory differences felt by the driver do not show up in figures acquired using conventional measurement methods. At the SDA, we do not limit ourselves to conventional measurement methods. Instead, we focus on probing deeper into the mechanisms behind the issue and what we can measure to identify the cause.

Drivers train to sharpen their senses so they can feel differences when driving. They then probe deeper into the mechanisms behind the differences they feel. This increases the number of elements that can be quantified numerically, and these elements are then incorporated into development.

By perpetuating this cycle, we can quantify elements that cause people to feel Enjoyment and Peace of Mind numerically. This expands the development of those elements beyond the realm of hardware and into the realm of control software development. The final result is a car that allows customers to feel the SUBARU difference, regardless of the model or type of power unit.

The SDA focuses on training engineers with these qualities in order to continue implementing SUBARU’s unique approach to car-making. The SDA is comprised of members from various departments involved in development. Drivers at the SDA hone their assessment and management skills as they acquire the highest level of driving skills possible. They also work to establish car manufacturing that transcends organizational barriers.

SUBARU provides value to its customers in the form of Enjoyment and Peace of Mind. We believe we can achieve sustainable growth and further enhance our corporate value by building even stronger relationships with customers who feel an affinity with our pursuit of SUBARU’s strength coming from having the same engineer handle the entire process of driving, feeling, considering, and quantifying instead of dividing it among multiple staff. This is the purpose of the SUBARU Driving Academy (SDA). It exists to further refine these skills to allow the creation of even better cars.

**Super Taikyu: Racing with Carbon-Neutral Fuels**

SUBARU started participating in an endurance race, Super Taikyu*1 (S-Taikyu, Super Endurance) with a production vehicle modified for racing. The Team SDA Engineering BRZ CNF Concept aims to achieve carbon-neutral driving and expand carbon-neutral options. The project is intended to assist in developing the next generation of engineers. SUBARU races with the SDA using carbon-neutral fuels*2 (CN fuels).

SUBARU races in the ST-Q class, a special class open to automakers whose purpose is to develop technologies and vehicles that can provide feedback for production vehicles. As electrification advances, SUBARU is not limiting itself to a single option to contribute to the achievement of a zero-carbon society. We believe that our Company needs to manufacture cars that address changes in society and the environment, as well as the needs of our customers. The use of CN fuels increases the probability of being able to maintain the use of SUBARU’s proprietary horizontally-opposed engine.

The development of racing vehicles focuses on training engineers who can oversee development of the entire vehicle, as well as the development of future technologies. The SDA draws members from various departments within the Engineering Headquarters. Many participants are younger employees in their third or fourth year at SUBARU. The development of racing vehicles proceeds at an incredibly fast pace, much faster than the development of regular mass produced vehicles. We hope that allowing our engineers to experience the speed of the verification process for racing vehicles will further enhance our human resource development.

SUBARU’s automotive development is competing with both Japanese manufacturers and overseas manufacturers. Training engineers is essential to outperform the competition; it is also important for engineers to experience the disappointment of losing a race and understand how difficult it is to win. This helps to instill the fighting spirit they need to overcome challenges.

For more information on the SUBARU Driving Academy, please see the 91st Shareholders Report. [https://www.subaru.co.jp/en/library/pdf/br_br_c91.pdf](https://www.subaru.co.jp/en/library/pdf/br_br_c91.pdf) (Japanese version only)

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*1 An endurance race where race cars are built to specific regulations and divided into classes for competition. Vehicles include production vehicles modified for racing.

*2 The fuel that SUBARU will use for this race is manufactured by synthesizing carbon dioxide and hydrogen with other components partially derived from non-edible biomass to comply with JIS standards for gasoline.
SUBARU’s Idea for a Digital Transformation Strategy

SUBARU’s unique digital transformation (DX) strategy has a firm foundation to respond to environmental changes. The automotive industry is undergoing a once-in-a-century upheaval that adds further complexity to car-making. Until now, automakers were tasked with the product planning, development, and manufacture of cars which were then distributed to dealerships. More recently, however, it has become possible to secure touchpoints with customers through the use of data and digital technologies.

It is generally said that consumer needs are shifting from goods to experiences. SUBARU provides products that have functional value backed by sound car-making and considers it important to strengthen relationships with customers through their experiences driving our cars. SUBARU’s DX strategy utilizes data and digital technology to strengthen Mono-zukuri (car-making) while simultaneously facilitating the creation of experiences.

Our Common Goal is Strengthening Ties between SUBARU and our Customers

For a smaller car manufacturer like SUBARU to respond to the current upheaval in the automotive industry, we need to restructure our company to establish data systems and enabling everyone to share that data to facilitate new business models. As a result of these major changes, the vertical division of units by function (such as development, procurement, manufacturing, sales, and after-sales service) is no longer sufficient to keep up with current development processes as they become more advanced and complex. We aim to streamline this process by using a digital twin that combines model-based development using data and digital technology in conjunction with real-world development.

The second is “operations”. The number of variations in models and power units, such as hybrids and BEVs, is increasing. This, in turn, has increased the number of items that need to be managed by each department involved in Mono-zukuri. It is easy for these departments to focus on management as their goal, even though the original purpose of management was to make improvements. We need to promote a renewed focus on improvement activities that need to be done. To do so, it is important to establish data handling tools and skills to process a large number of control items and expand their use on-site.

For example, some manufacturing sites are implementing initiatives to use BI* tools. Until now, manufacturing processes included the creation of paper records on-site. These records were then entered into a computer manually. We have changed this system to enable direct input into a tablet. Vehicle numbers, images, and records are input into a tablet on-site, and that data is managed in an integrated way. This has increased the speed at which supervisors can monitor and respond to trends, and the information linked to a single car can now be shared by the manufacturing site with various departments, such as production engineering, quality control, and development, in a timely manner.

SUBARU has many customers around the world wishing to enrich their lives by leading a lifestyle that includes a car. In response to these customers, we are working to establish data and digital-based “experience-making” for our customers as our new challenge. We are also working to enhance the value SUBARU provides to customers in the form of Enjoyment and Peace of Mind by strengthening our Mono-zukuri as described previously. Our common goal is to increase the number of customers who feel an affinity with our value statement, and deepen our relationships with these customers. In other words, the ultimate goal of all our initiatives is to deliver happiness to our customers.

Strengthening Mono-zukuri Using Data and Digital Technology

We have identified three major issues related to the development and production of cars.

The first is “process”. Until now, we repeated a cycle where we designed parts, made prototypes, assembled those parts into a prototype for a single vehicle, and then evaluated it. However, this cycle is no longer sufficient to keep up with current development processes as they become more advanced and complex. We aim to streamline this process by using a digital twin that combines model-based development using data and digital technology in conjunction with real-world development.

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The third is “organization”. The conventional structure for car manufacturing uses an organization with vertical, function-based divisions, such as for development, procurement, manufacturing, sales, and after-sales service, with development being handled as projects involving all divisions. Dividing the organization by function is very effective in terms of allowing own-process completion for individual processes. However, it is no longer suitable for new trends involving concurrent activities with external organizations and new business models such as connected services. In addition, each department and operation exists as an individual silo, making it difficult to share data across departments.

The following day or later

Eliminates the need to collect and analyze data, and allows status information to be shared in a timely manner

BI tools

An employee inputting data into a tablet

Innovation

Attempts to create new value

Creation of new values (Experience-making)

Changes to products, services, and business models

Foundation

Improvements

From improvements to business process reform

Improvement as the core element

Development of infrastructure and human resources capable of utilizing data

Changes in our business, organization, processes, and corporate and organizational culture

Strengthening Mono-zukuri

Value Creation Story

Mechanisms Supporting Value Creation

Corporate Data

Commentary on Strategy

Integrated Report 2022

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We believe that building a conventional integrated system under current conditions would not only require tremendous resources, it would also mean that we end up facing the same issues again when new business models appear. Rather than integrate the system, we opted to integrate data by building a company-wide data integration platform that shares data across departments and further advances Mono-zukuri.

One such initiative is Global Product Lifecycle Management (PLM). This system manages all information about each car, from development and production to after-sales maintenance. This makes it possible to understand the health condition of the car and allows us to promptly notify existing owners in the unlikely event of a problem with a model in the same series during the production stage. By facilitating access to data tracking the lifetime of each vehicle, we are working to provide more convenience and create new experience value for the customer.

Fostering DX Human Resources that Focus on Transforming Work On-Site

Human resources are essential to implement these initiatives. Currently, SUBARU is proactively hiring mid-career personnel, but as a basic principle, we need to develop human resources internally as a company engaged in Mono-zukuri. In the future, it will be essential to have a specialized IT department in addition to developing human resources on site at each department to implement company-wide reforms to our business and corporate culture. There are six types of DX human resources defined by the IPA. In regards to developing human resources in-house, we will focus on data scientists and AI engineers to change our car-making. These personnel are talented resources who have in-depth knowledge of digital technology and data analysis, and are capable of changing the way business is carried out on site.

The manufacturing department at the Gunma Plant is an excellent example of our efforts to develop human resources. The manufacturing department at the Gunma Plant is an excellent example of our efforts to develop human resources. These personnel have taken a standard training program on data science and adapted it to suit the environment on the manufacturing floor. They have taken a standard training program on data science and adapted it to suit the environment on the manufacturing floor. To ensure the establishment of individual skill development as part of our corporate culture, we are conducting a series during the production stage. By facilitating access to data tracking the lifetime of each vehicle, we are working to provide more convenience and create new experience value for the customer.

Creation of New Value by Enhancing Experience-Making

Nowadays, customers connect to the outside world through their smartphones, and their cars are equally as connected. We hope that by creating these connections, people will enjoy new experiences that come from the enjoyment of driving, made possible by the enduring safety that SUBARU provides as a functional value. We want to create a cycle where these new experiences make customers appreciate their SUBARU, and also make them want to buy a SUBARU as their next car as well. We are striving to create new value through facilitating experiences that strengthen our ties with the customer through the use of data and digital technology.

Our connected service has already started in the U.S. and has been well received by customers who can use their smartphones to start their engine remotely and operate the air conditioner. There are also vehicle-linked services such as a locator that shows where the driver has parked their car in large parking lots at shopping malls, etc. In addition to these related features for reserving a visit to the dealership and displaying vehicle information are already being used by many customers. Connected services in Japan started with the Levorg, which went on sale in 2020, and we are currently thinking about enhancing functionality and expanding the market in the future.

We also started the SUBARU Digital Innovation Lab to make use of digital technology and data in areas such as digital marketing, sales and more. Studies and analysis conducted at this lab revealed these characteristics about SUBARU’s customers: they consider their car to be more than just a means of transportation; they demand value that goes beyond mobility; and they seek an emotional element that cannot be expressed in terms of efficiency. Our customers tell us that they sometimes intentionally take a longer route to their destination, or that they do not always follow the route given by their navigation system. We see this feedback as an example of our customers experiencing the features of SUBARU’s connected service that appeal to their senses, and this leads to feelings of excitement and affinity. We created the SUBAROAD driving app to offer this kind of experience to as many customers as possible. The concept of the app is to present the route that provides the most driving pleasure in their SUBARU vehicle, rather than the most efficient route, and it is already being used by many of our customers.

We are using data and digital technology to enhance SUBARU’s approach to car making, and we are also creating new experiences, using a range of customer contact points, to allow our customers to have enjoyable experiences in their SUBARU vehicle. We consider both of these initiatives to be the same goal, which is to strengthen the ties between the SUBARU brand and our customers.

We hope that all of our customers will be looking forward to SUBARU’s unique DX initiatives in the near future.
To achieve success in the electrification era, we will strive to enhance our corporate value by maintaining a sound financial base and making steady preparations for growth investments.

Katsuyuki Mizuma
Director of the Board, Executive Vice President,
CEO (Chief Financial Officer) and
CRM Officer (Chief Risk Management Officer)
Profile
1984 Joined The Industrial Bank of Japan Ltd
2014 Became Managing Executive Officer of Mauh Bank, Ltd
2016 Elected SUBARU as Senior Vice President and
Senior General Manager of SUBARU Overseas Sales & Marketing Division 2
2019 Executive Vice President, Chief Financial Officer
 Overseas Sales & Marketing Division 1, Chief General Manager of Overseas Sales & Marketing Division 1, Executive Vice President, CFO and CRM Officer since June 2021

Review of FYE March 2022 and Outlook for FYE March 2023

It has been one year since I was appointed as Chief Financial Officer (CFO) in April 2021. FYE March 2022 was an extremely challenging year. In addition to tight supply and demand of semiconductors throughout the year, impact from parts supply chain stagnation due to the resurgence of COVID-19 in Southeast Asia and other regions resulted in a series of automotive production volume adjustments, temporary production stops, and other incidents. We were unable to achieve a sufficient level of production, causing a great deal of inconvenience to our customers and dealerships. With the cooperation of our suppliers and dealerships, we adjusted our production and sales plans in accordance with the ever-changing situation in order to minimize any impact. However, our final production volume for the fiscal year was 727 thousand units, down 83 thousand units from FYE March 2021, and vehicle sales were 734 thousand units, down 126 thousand units year on year. As a result, we posted consolidated financial results for FYE March 2022 as follows. Revenue was 2,744.5 billion yen, down 3.0% year on year. Profits were also down year-on-year despite the curbing of operating profit of 200 billion yen.

Financial and Capital Strategy for Sustainable Growth in the Electrification Era

As SUBARU does not possess a large scale among automakers, we aim to improve our corporate value over the medium to long term by developing a highly profitable business model and achieving a sound financial position and high capital efficiency by promoting selection and concentration, in which we allocate limited management resources to markets and categories where we can demonstrate our strengths.

In our financial and capital strategy to achieve this, we have identified return on capital, financial soundness, and shareholder returns as three key indicators. Our basic policy is to provide appropriate shareholder returns while maintaining a balance between return on equity (ROE) and the shareholders’ equity ratio over the medium to long term. Specifically, we will aim for industry-leading operating margin of 8%, and ROE of 10% or more as KPIs, and demonstrate high financial soundness by maintaining a shareholders’ equity ratio of 50% as the foundation to support these.

In order to achieve success in the coming era of full-scale electrification, we believe it is of the utmost importance to monitor changes in the market and regulations and the growing convenience of BEVs*, including social infrastructure, and above all, to respond to changes in the needs, preferences, and values of customers. Our financial and capital strategy will follow this principle.

In May 2022, we announced the first phase of our investment strategy toward electrification, a restructuration of our domestic production system. Though the specific investment plan is currently under consideration, we plan to invest 250 billion yen over the next five years, beginning in earnest from FYE March 2024. Even after this point, we will continue discussions to develop business strategies with a view to full-scale electrification. Although our investment and cash flow amounts may fluctuate from year to year, our basic policy for shareholder return remains unchanged. Specifically, this is to pay performance-linked dividends in a stable and consistent manner (30-50% consolidated payout ratio) and to flexibly purchase treasury stock in accordance with cash flow. In order to strike a balance between aggressive investment for future growth and shareholder returns, we have revised our traditional financial policy, which had been to retain net cash worth two months of revenue. In addition, we will create a structure that can generate solid profits even with BEVs in both production and sales, and retain the industry’s highest operating margin, thereby increasing shareholder value.

To Our Stakeholders

In the era of electrification, where we will have no map to navigate by, we see flexibility and mobility as important in order to achieve success. In order to realize this, it is essential to boost employee motivation. Therefore, we have launched initiatives under the slogan of each individual acting on their own, and will actively invest in human capital with a focus on the growth of the individual. There is great competition ahead here for us. We will pursue the SUBARU difference more than ever through growth investment, while at the same time striving to achieve return on capital, financial soundness, and shareholder returns. We look forward to your continued support.

Financial Information

Please visit the SUBARU website for details about our financial information.
https://www.subaru.co.jp/en/in/library/

Operating Profit (Billions of yen) / Operating Margin (%)

<table>
<thead>
<tr>
<th>&quot;18/3</th>
<th>&quot;19/3</th>
<th>&quot;20/3</th>
<th>&quot;21/3</th>
<th>&quot;22/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>Equity ratio</td>
<td>Dividend payout ratio</td>
<td>Share repurchases</td>
<td>Conduct flexibility</td>
</tr>
<tr>
<td>10.0</td>
<td>50.3%</td>
<td>30.50%</td>
<td>3.3</td>
<td>90.3</td>
</tr>
<tr>
<td>14.6</td>
<td>85.0%</td>
<td>9.0</td>
<td>3.8</td>
<td>56.1</td>
</tr>
<tr>
<td>14.6</td>
<td>85.0%</td>
<td>9.0</td>
<td>3.8</td>
<td>56.1</td>
</tr>
</tbody>
</table>

* BEV: Battery electric vehicle
Risk Management

Our Approach

SUBARU is undertaking risk management as one of its key priority management issues, not only to address emergency situations when they arise but also to deal with various risks that have a serious impact on daily corporate activities, as well as to minimize damage when risks emerge.

The automotive industry is ushering in a major transformation, which only occurs once in a century. The SUBARU Group, which operates businesses globally, is aiming to enhance the resilience of its management infrastructure by ensuring the sustainability of its businesses by quickly tackling changes in the business environment. At the same time, the Group must boost its measures to minimize its human, social and economic losses. Amid this environment, it is essential to strategically conduct risk management throughout the group to conduct business activities. We therefore believe it is important to create a SUBARU Group that has an infrastructure that is resilient to risk to enhance our corporate value.

Management System

To prevent the emergence and expansion of risks to the SUBARU Group, the CRMO (Chief Risk Management Officer) appointed by the Board of Directors leads risk management and compliance activities, reporting their status to the Board of Directors. As a system to promote risk management, SUBARU has appointed risk management officers (job-grade of Chief General Manager) for each department and established the Risk Management & Compliance Committee. This committee is chaired by the CRMO, and its vice-chairperson is the Vice President in charge of the duties of the Risk Management Group, comprised of the Risk Management & Compliance Office and the Legal Department. At this committee, members deliberate, discuss, make decisions, and exchange/communicate information on important matters.

The CRMO leads corporate Group-wide efforts to enhance risk management with professional support from experts in corporate departments, such as the Risk Management & Compliance Office and the Legal Department. In this leadership role, the CRMO works closely with the Corporate Planning Department, which performs division-encompassing functions, as well as different divisions and companies. The Audit Department audits execution of tasks by each division and subsidiary in a planned manner.

Risk Management System

At the SUBARU Group, we extract and identify key risks associated with our business activities and consider measures to combat them. The major business risks are listed below. Please note that this is not an exhaustive list of all risks relating to the SUBARU Group.

Risks Associated with Business Activities

17 Risks Affecting Business Activities

<table>
<thead>
<tr>
<th>Risks relating to fluctuations in the economic and financial environment</th>
<th>Risks arising from national regulations and other events affecting business activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic trends in major markets</td>
<td>Political, regulatory and legal procedures in various countries/tax impact business activities</td>
</tr>
<tr>
<td>Financial markets fluctuations</td>
<td>Impact of disasters, etc.</td>
</tr>
<tr>
<td>Change in raw material costs</td>
<td>Intellectual property infringement</td>
</tr>
<tr>
<td>Exchange rate fluctuations</td>
<td>Information network security</td>
</tr>
</tbody>
</table>

Message from the CRMO

In order to achieve our vision of becoming a company “Delivering happiness to all,” we are working to permeate ownership in conceptualizing risk management and compliance.

Over the past three years, SUBARU has advocated to think actively about the conceptualization of risk management and compliance, and has steadily promoted initiatives in this area. Although we still have some way to go, discussions at meetings of the Risk Management & Compliance Committee, which are regularly held several times a year, have become more active and diverse with each passing year. As our activities take root, I feel that mindsets are strengthening for the entire Group, including not only managers but those at the staff level as well.

With regard to risk management, we are strengthening risk management activities and systems based on our Group-wide Risk Map that prioritizes issues according to likelihood of occurrence and magnitude of impact. Following the global outbreak of COVID-19 in 2020, 2021 was once again a year of never-before-seen severity in the environment. In addition to the global shortage of semiconductors, this came in the form of supply chain disruptions due to a resurgence in COVID-19 in Southeast Asia and elsewhere, natural disasters, the impact of the situation between Russia and Ukraine, greater risks pertaining to cybersecurity, and more. Under these circumstances, we have been steadily acquiring practical risk management capabilities in a posture of battle readiness. We are doing this not only on our own, but particularly in the procurement department, as we are also strengthening cooperation with our suppliers. We will continue to strengthen our efforts by focusing on events with high risk factors, based on a firm understanding of the current situation.

Our aim is to ensure that compliance is permeated throughout all of the Group’s approximately 36,900 employees, and we are promoting compliance activities in a creative way so that they can be carried out in the field, rather than simply through verbal messaging. Specifically, we conduct video training to raise awareness of compliance, as well as awareness-raising activities including ongoing study groups on important laws and regulations to operations at each department and Group company. We also recognize that the Compliance Hotline is functioning effectively within the Group. Going forward, we will work toward the realization of our vision of being a company “Delivering happiness to all” through grassroots activities tied to our daily operations.

Katsuyuki Mizuma
CFD, CRMO
Directors, Auditors, and Executive Officers  (As of June 22, 2022)

Directors of the Board

(Number of years in office as a director/number of shares owned)

Tomomi Nakamura
Representative Director, President and CEO
4 years / 35,473 shares

Kazuo Hosoya
Director, Chairman
3 years / 21,729 shares

Katsuyuki Mizuma
Director, Executive Vice President, CFO and CRMO
1 year / 16,513 shares

Tetsuo Onuki
Director, Executive Vice President
3 years / 4,800 shares

Yoichi Kato
Standing Corporate Auditor
1 year / 11,129 shares

Atsushi Osaki
Director, Executive Vice President
1 year / 10,685 shares

Fumiaki Hayata
Director, Executive Vice President
3 years / 3,600 shares

Yasuyuki Abe
Independent Outside Director
3 years / 8,120 shares

Natsunozuke Yago
Independent Outside Director
3 years / 4,200 shares

Miwako Doi
Independent Outside Director
2 years / 400 shares

Corporate Auditors

(Number of years in office as an auditor/number of shares owned)

Yoichi Kato
Standing Corporate Auditor
1 year / 11,129 shares

Hiromi Tsutsumi
Standing Corporate Auditor
2 years / 19,056 shares

Shigeru Nosaka
Independent Outside Corporate Auditor
3 years / 1,420 shares

Kyoko Okada
Independent Outside Corporate Auditor
3 years / 1,420 shares

Yuri Furusawa
Independent Outside Corporate Auditor
1 year / 16 shares

Executive Officers

* Concurrently serve as a Director

Chairman
Kazuo Hosoya
Secretarial Office, Human Resources Department

President
Tomomi Nakamura
CEO (Chief Executive Officer)
Aerospace Company, Quality

Executive Vice President
Katsuyuki Mizuma
CFO (Chief Financial Officer), CRMO (Chief Risk Management Officer)
Finance & Accounting Department

Executive Vice President
Tetsuo Onuki
Chief General Manager of Purchasing Division, Product & Portfolio Planning Division

Executive Vice President
Atsushi Osaki
Chief General Manager of Manufacturing Division

Executive Vice President
Fumiaki Hayata
Chief General Manager of Overseas Sales & Marketing Division 1, Chairman and CEO of SIA

Executive Vice President
Takaji Da
CIO (Chief Information Officer), Chief General Manager of IT Strategy Division, Senior General Manager of Corporate Planning Division

Senior Vice President
Shochiro Tzuka
Company President of Aerospace Company

Senior Vice President
Tatsuro Kobayashi
General Manager of Human Resources Department

Senior Vice President
Jinya Shoji
Chief General Manager of Overseas Sales & Marketing Division 2

Senior Vice President
Osamu Eriguchi
COO (Chief Operating Officer), Chief General Manager of Quality Assurance Division, General Manager of Quality Assurance Management Office

Senior Vice President
Tomoaki Emori
Chief General Manager of Corporate Planning Division

Senior Vice President
Tetsuo Fujinuki
CIO (Chief Information Officer), Chief General Manager of Engineering Management Division and Technical Research Center

Senior Vice President
Yamato Inui
Senior General Manager of Purchasing Division, Cost Innovation Promotion Department

Senior Vice President
Kazuhiro Abe
Chief General Manager of Product & Portfolio Planning Division

Vice President
Yasashii Nagae
General Manager of Investor Relations Department and General Administration Department, Corporate Communications Department and Sustainability Promotion Department

Vice President
Tatsuya Okuno
Chief General Manager of Customer Service Division

Vice President
Hiroshi Waki
Company Vice President of Aerospace Company, Senior General Manager of Engineering & Development Center

Vice President
Hiroshi Watahiki
Senior General Manager of Engineering Division and Purchasing Division

Vice President
Tadashi Yoshida
Senior General Manager of Overseas Sales & Marketing Division 1, Executive Vice President of SOA1, SCI, NAS2

Vice President
Ryota Fukuizumi
President and COO of SIA2 (Subaru of America, Inc.)

Vice President
Shinichi Murata
General Manager of Risk Management & Compliance Office, Risk Management Group, External Relations Department, Intellectual Property Department

Vice President
Kazuki Uejima
Senior General Manager of Engineering Division and General Manager of CTO’s Office

Vice President
Ikuo Watanabe
Senior General Manager of Manufacturing Division, Chief General Manager of Gunma Plant

Vice President
Akihiro Kato
Chief General Manager of Japan Sales & Marketing Division

*1 Subaru of Indiana Automotive, Inc.
*2 Subaru of America, Inc.
*3 Subaru Canada, Inc.
*4 North American Subaru, Inc.
Hosoya: At management discussions and social gathering events for FYE March 2022, we have discussed the theme of the direction of our electrification strategy. This was recognized as an ongoing issue to be addressed in the previous year’s evaluation of the effectiveness of the Board of Directors. Amid global trends toward decarbonization and automotive electrification, I would like to hear from our outside directors, from their objective perspective, about how the evolution of the SUBARU difference has been perceived over the past year or two.

Abe: When I was appointed as an outside corporate auditor in 2016, SUBARU was generating high earnings, but from 2017 onwards, quality issues such as the improper conduct related to the final vehicle inspection issues and large-scale recalls had eroded trust in the brand, and the stock price was falling. I became an outside director in 2019 while closely observing this dramatic change and have always worked to provide timely advice. Most recently, the spread of COVID-19 and the subsequent stagnation in the supply chain has created a very frustrating and difficult situation, with strong demand but insufficient production. On the other hand, I can say that steady progress is being made in the evolution of the SUBARU difference. While other companies had begun to steer toward electrification strategies, SUBARU had until now been unable to paint a clear picture in this direction. However, over the past year or so, measures aimed at developing the market for electrification have steadily accelerated, and SUBARU became the first Japanese automaker to announce that it would build a dedicated BEV plant in Japan. My firsthand experience in talking with various people internally is that they are confident that SUBARU can maintain its market competitiveness in the era of CASE, and I feel that the atmosphere within the company.

Yago: I agree. At the time of my appointment as an outside director in 2019, the atmosphere within the company was characterized by differences between how people thought about and perceived electrification. Some thought the era of electrification wouldn’t really come. But, from around 2021, the strategy and approach in this area became clear for SUBARU as a unit. The declaration that SUBARU will build a mixed production line for BEVs at the Yajima Plant in 2025 is indicative of this clarity. I feel that a number of key actions have been taken all at once. Automaker management will clearly shift toward electrification going forward. This will depend on whether or not they can procure various parts, including semiconductors, at a stable and reasonable cost. It is necessary that related departments share their awareness of this issue, and that SUBARU refines its information system infrastructure harnessing IoT and AI internally.

If we consider the future of SUBARU, I see the current difficult procurement environment as an excellent opportunity to strengthen its organizational capabilities and DX.
Employee: Employees of the SUBARU Group often say they love the horizontally-opposed engine, and that the sound is very SUBARU. They truly love and respect their own products. When I was appointed in 2020, I was concerned that this corporate culture would not be able to keep up with environmental regulations aimed toward carbon neutrality and other trends. However, BEVs began to appear on the agenda at management discussions and social gathering events, and in May 2022, SUBARU began to take orders for its first global BEV, the SOLterra. Then, plans for the restructuring of its domestic plants took shape. Though I had guessed it would take quite a long time to address electrification, I was proven wrong—in a good way. The fact that SUBARU was able to install the SUBARU difference in its BEV should give confidence not only to its development teams, but to all employees of the SUBARU Group.

SUBARU’s response to CASE and its thought processes and approach with regard to BEVs have become very clear, energizing younger employees in particular and giving the organization momentum for the future growth of SUBARU.

Hosoya: Certainly, SUBARU’s concept and brand image were too well-established, and I think our outside directors were concerned about whether we could really enter the realm of vehicle electrification. Until recently, there was a sense among employees that electrification would not be as easy as some thought and that the transition period would be long, as well as that SUBARU could compete just with engine vehicles for some time. Meanwhile, we were closely monitoring market trends, steadily conducting research and product development studies for electrification, and looking for the right moment to make a decision as an overall strategy. It turns out that interest in electrification among U.S. dealerships and customers had been growing more rapidly than we had anticipated. That is why I believe that, with regard to restructuring plans for plants in Japan, all parties involved were able to come together and focus on the issue. We will continue to meet the expectations of our stakeholders while contributing to decarbonization with our distinctive the SUBARU difference.

Doi: We have without question seen improvements over the last three years when it comes to areas like the selection of agenda items for addressing at the Board of Directors and management discussions and social gathering events, as well as the quality of information used in decision-making processes. First and foremost, as independent outside directors, we represent stakeholders. This puts us in a position to make useful recommendations without being bound by internal interests or the sensibilities of management. We must also serve as an important element of corporate governance by supervising and monitoring business execution. Despite this position, I believe that the key to success is how we can build trust relationships with internal directors and employees. At SUBARU, there is an environment where we can talk freely with people in various positions. Though there is sometimes harsh advice exchanged in these discussions, we continue to encourage them to do their best in order to advance the three priority items of the mid-term management vision “STEP”—corporate culture reforms, quality enhancement, and evolution of the SUBARU difference. Team members are also transferred between departments within each business division. Even when moving to a new department and fresh workplace, previous experience is by no means wasted. In fact, many are more successful in their new positions. There is also a higher level of demand from the market, and I would like SUBARU to continue to cultivate human resources who can think flexibly and not be bound by stereotypes.

From the improper conduct related to the final vehicle inspection issues in 2017 until now, I believe that the employees of the SUBARU Group have had a difficult time. I want everyone to let out all of their past thoughts and feelings now, because now is their chance. SUBARU is taking a very positive turn. I am sure that you will see the results of your efforts in the organization’s performance, and I wish you the best of luck.

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Yage: When I was initially appointed, I had the impression that SUBARU was a company that was difficult to understand. Although it was difficult to understand the process by which important matters were decided, I gradually deepened my own understanding of how to perceive SUBARU as a company and how to be involved in its management. I finally understood it wasn’t that decision-making processes were closed off to me, but that this was a company where Board members do not mince words in discussion. In other words, SUBARU was where policy directions and important conclusions are reached after careful deliberation. Although this culture may be perceived by the rest of the world as not fast enough, it is an advantage in a business environment where companies are forced to face a variety of business risks. In addition, SUBARU is continuing its efforts to strengthen its organizational structure with regard to compliance and risk management. In 2019, it adopted a system where the Chief Risk Management Officer (CRMO) leads risk management and compliance activities.

In May 2021, it reorganized its principles and philosophy system as a company, including the Vision for 2025. I believe these are convincing to employees. By gaining the empathy of employees, I expect that SUBARU’s vision and philosophy will be elevated to the level of corporate culture, leading to greater corporate value.

President Nakamura and managers began holding dialogues in 2021 on the subject of employee

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**Theme 2**

**Expectations for Growth and Message to SUBARU Group Employees**

**Hosoya**: I believe it is very important to enhance effectiveness in strengthening the SUBARU Group’s corporate governance. I would like to hear from the outside directors about what they keep in mind and what their expectations are for the future growth of the SUBARU Group.

**Doi**: Meetings for exchange of opinions on the Company’s important management topics, conducted by directors and corporate auditors and which do not require a resolution.

**BEV**: Battery electric vehicle

**CASE**: Connected, Autonomous, Shared, Electric
engagement, resulting in a rich exchange of opinions. Through these activities, my intent is to provide appropriate advice to ensure the continuity of each policy by increasing employee empathy and motivation. My hope is that all employees will be eager to learn new things without fear of failure.

Dei: I believe that corporate governance is a balance between the defensive—compliance founded in awareness of risk to management, as mentioned by Mr. Yago—and the offensive, which is innovation. Innovation is essential for automaker management in this era of addressing decarbonization and CASE. Here, I would like to make contributions by utilizing the knowledge I have cultivated in the field of information and communications in order to further enhance the value SUBARU provides to its customers, which is “Enjoyment and Peace of Mind.” Furthermore, on the defensive side, I would like to talk about the problem of procuring parts, which was exacerbated by the COVID-19 pandemic. There is stagnation in the supply chain and SUBARU faces never-before-seen difficulty. However, communication between the manufacturing and procurement departments has improved tremendously to cope with this challenge. It is not easy to create cross-functional partnership within an organization, but the fact that SUBARU has been able to use the disruptions and chaos in the supply chain as an opportunity to do this kind of bridging is a real success. Now that these two sides are working closely together, laying the groundwork for data-driven discussions, I expect that this will help speed up manufacturing innovation from now on.

Hosoya: Both President Nakamura and I place great importance on management discussions and social gathering events and the evaluation of the effectiveness of the Board of Directors as matters of governance. The free response section of the annual evaluation of the effectiveness of the Board of Directors elicits many dispassionate and unfiltered opinions from our outside directors, which are very helpful and valuable to us. We intend to continue receiving expert and objective knowledge from our outside directors, which are dispassionate and unfiltered opinions via the open-ended opinions and questions section of the effectiveness evaluation as topics for the Board of Directors and the management discussions and social gathering events, and we are taking these up as strategic themes that management should address. Inevitably, there will be gaps in how much information internal and external directors have. Therefore, we try to ensure that they have a common understanding of the topics to be discussed by providing detailed briefings in advance so that they can engage in lively discussions. The topics of the most recent management discussions and social gathering events have ranged from pressing issues to long-term directions, including procurement strategy, connected car strategy, electrification strategy, and aerospace business strategy. From time to time, we receive harsh opinions from the outside directors, but I believe that all of their comments come from a place of wanting to find ways to make SUBARU a better company.

In this way, we are gradually enhancing our system for strengthening governance that can sustainably increase SUBARU’s corporate value. Going forward, we will continue to carefully assess the direction of governance reform in the world, treasure the values of the SUBARU Group, and steadily improve the effectiveness of our corporate governance step-by-step with the knowledge of our outside directors, leading to sustainable growth.

Activities for Strengthening Corporate Governance

<table>
<thead>
<tr>
<th>Year</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>Adopted a corporate vice president system</td>
</tr>
<tr>
<td>2003</td>
<td>Reduced length of director terms from two years to one year</td>
</tr>
<tr>
<td>2007</td>
<td>Established Corporate Governance Guidelines</td>
</tr>
<tr>
<td>2004</td>
<td>Established Executive Nomination Meeting</td>
</tr>
<tr>
<td>2010</td>
<td>Introduced restricted stock compensation plan (ROE, quantitative evaluation)</td>
</tr>
<tr>
<td>2011</td>
<td>Introduced executive officer retirement bonus system</td>
</tr>
<tr>
<td>2012</td>
<td>Established Independent Outside Directors' Meeting</td>
</tr>
<tr>
<td>2013</td>
<td>Revised the degree of employee engagement (Employee Satisfaction Rating) as a new non-financial evaluation in the executive compensation system, linked to the mid-term management vision</td>
</tr>
<tr>
<td>2014</td>
<td>Received a number of requests for change in the board's evaluation system, including a request for more views from our outside directors</td>
</tr>
<tr>
<td>2015</td>
<td>Conducted an open-ended opinions and questions section of the Board of Directors' effectiveness evaluation for the first time</td>
</tr>
<tr>
<td>2016</td>
<td>Revised the composition of the Board of Directors, including an increase in the number of outside directors</td>
</tr>
</tbody>
</table>

Kazuo Hosoya
Director and Chairman
**Basic Policy**

SUBARU has articulated the vision “Delivering happiness to all” and works on the enhancement of corporate governance as one of the top priorities of management, in order to gain the satisfaction and trust of all its stakeholders by achieving sustainable growth and improving its corporate value in the medium and long term based on the Corporate Statement outlined below.

*<Vision>*
Delivering happiness to all

*<Value statement>*
“Enjoyment and Peace of Mind”

*<Corporate statement>*
We aim to be a compelling company with a strong market presence built upon our customer-first principle.

SUBARU clearly separates the function of decision making and the oversight of corporate management from that of the execution of business operations, and aims to realize effective corporate management by expediting decision making. In addition, SUBARU seeks to ensure proper decision making and the oversight of corporate management and the execution of business operations, as well as enhance its risk management system and compliance system through the monitoring of its management and operations and advice provided by outside officers. We also implement proper and timely disclosure of information in order to improve the transparency of management.

For other corporate governance information, please visit: https://www.subaru.co.jp/en/csr/governance/"

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**Corporate Governance Structure**

SUBARU has chosen a structure with a board of corporate auditors. The Board of Directors (nine members, of which three are outside directors) and the Board of Corporate Auditors (five members, of which three are outside corporate auditors) decide, supervise, and audit the execution of important business. This structure enables us to achieve more sound and efficient business operations through increased effectiveness of management monitoring, by involving highly independent outside directors and outside corporate auditors. At SUBARU, in order to enhance the practical governance structure based on our present organizational design, we have established two voluntary meetings: the Executive Nomination Meeting (consisting of five directors, of which three are outside directors) and the Executive Compensation Meeting (also consisting of five directors, of which three are outside directors).

In regard to the business operation system, SUBARU has established the Executive Management Board Meeting as a preliminary consultation body to conduct deliberations on company-wide management strategies and the execution of important business before their presentation at the Board of Directors Meetings. In addition, SUBARU has adopted a vice president system and established the Executive Meeting Board as the decision-making body of each business department, and converted the Aerospace division into an internal company in order to clarify responsibilities and accelerate the execution of business operations.

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**Board of Directors and Board of Corporate Auditors**

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of meetings held</td>
<td>17</td>
<td>16</td>
<td>13</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Attendance rate</td>
<td>99.0%</td>
<td>98.4%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Note: In addition to the number of Board of Directors’ meetings shown in the above table, there was one written resolution passed in FYE March 2019, two in FYE March 2020, one in FYE March 2021, and one in FYE March 2022 that were deemed equivalent to a Board of Directors’ meeting, pursuant to Article 370 of the Companies Act and the Articles of Incorporation. Attendance rates for newly appointed directors are calculated based on the number of Board of Directors’ meetings held after their appointment.

**Executive Nomination and Executive Compensation Meetings**

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of meetings held</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Items deliberated in FYE March 2022</td>
<td>The Executive Nomination Meeting discussed matters concerning the submission of reports on the executive structure and appointments, the division of duties of executives, and the appointment of representatives of major subsidiaries. The Executive Compensation Meeting submitted revised policy drafts for determining director compensation systems and details of compensation for individual directors, while deciding on performance-linked compensation for directors (except for outside directors) and corporate vice presidents based on evaluations and the amount of compensation claims in respect of restricted stock compensation for each individual recipient.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**Board of Directors (Independence)**

<table>
<thead>
<tr>
<th>Outside directors</th>
<th>Female directors</th>
<th>Independent outside directors</th>
<th>Outside directors</th>
<th>Female directors</th>
<th>Independent outside directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 out of 9</td>
<td>3 out of 9</td>
<td>3 out of 9</td>
<td>1 out of 11</td>
<td>1 out of 11</td>
<td>1 out of 11</td>
</tr>
<tr>
<td>33.3%</td>
<td>60.0%</td>
<td>60.0%</td>
<td>60.0%</td>
<td>60.0%</td>
<td>60.0%</td>
</tr>
</tbody>
</table>

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**Board of Corporate Auditors (Gender Diversity)**

<table>
<thead>
<tr>
<th>Outside directors</th>
<th>Female directors</th>
<th>Independent outside directors</th>
<th>Outside directors</th>
<th>Female directors</th>
<th>Independent outside directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 out of 9</td>
<td>3 out of 9</td>
<td>3 out of 9</td>
<td>1 out of 11</td>
<td>1 out of 11</td>
<td>1 out of 11</td>
</tr>
<tr>
<td>60.0%</td>
<td>60.0%</td>
<td>60.0%</td>
<td>60.0%</td>
<td>60.0%</td>
<td>60.0%</td>
</tr>
</tbody>
</table>
Approach to the CEO Succession Plan

SUBARU recognizes that decision making regarding top management changes (e.g., the CEO) and successor selection may have a critical influence on corporate value. Therefore, in order to ensure a successful succession at the right timing, we invest substantial time and resources to carefully develop and implement succession plans.

In order to hand over the business to the right person, the Board of Directors, as part of its essential duties, develops succession plans that can convince all stakeholder groups. To ensure objectivity and transparency in the process for deciding on the replacement and selection of the CEO, the Board of Directors appropriately supervises the preparation of proposals by the current CEO through discussions at the Executive Nomination Meeting.

To be able to implement succession plans appropriately, the CEO begins to prepare for selection and development of their successor candidates independently upon assuming office. Key processes for this purpose include providing information on candidates to outside directors on an ongoing basis, particularly by enabling the directors to monitor the candidates in person continuously in day-to-day business settings, as a measure to ensure appropriate and timely evaluation and selection down the road.

The Board of Directors and Executive Nomination Meeting meet on a regular basis to review the list of essential qualities and skills required of the CEO, which may include removing and adding items, in consideration of perception of current trends, changes in the business environment surrounding the company, and the future direction of the Group’s business strategies.

To ensure the objectivity of the successor selection process and increase the effectiveness of its supervision by the Board of Directors and Executive Nomination Meeting, it is important to have effective selection criteria in place, particularly for use by outside directors. To this end, SUBARU discloses two sets of criteria: “Abilities required of the SUBARU Group’s CEO” and “Five key qualities required of the SUBARU Group’s CEO.” These criteria serve as a guide for evaluating candidates in light of quality, competency, experience, track record, specialized expertise, personality, and other factors, which have been discussed and decided on by the Board of Directors and Executive Nomination Meeting.

Abilities required of the SUBARU Group’s CEO

The SUBARU Group’s CEO must be able to: properly understand the business environment surrounding SUBARU, its corporate culture and philosophy, business growth stages, and medium-term to long-term management strategies and challenges; facilitate collaboration appropriately with various stakeholders, and lead all executives and employees to work together to maximize corporate value.

Five key qualities required of the SUBARU Group’s CEO

1. Integrity
2. Broad perspective
3. Character
4. Tireless spirit or revolutionary leadership skills
5. Person of action
**Nomination Criteria**

- The outside directors are expected to perform a monitoring function independent from the management team and provide appropriate advice on management on the basis of a wide range of sophisticated knowledge.
- The outside corporate auditors are expected to perform a management oversight function independent from the management team and undertake their role of auditing from the viewpoint of legality and appropriateness on the basis of broad and advanced knowledge.

**Outside Directors/Outside Corporate Auditors**

**Reasons for Appointing the Outside Officers and Major Activities**

<table>
<thead>
<tr>
<th>Name</th>
<th>Category</th>
<th>Position</th>
<th>Significant Concurrent Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yaezuki Abe</td>
<td>Outside Directors</td>
<td>Director, HOYA Corporation</td>
<td>President, Kaoru Hasegawa Memorial Foundation, Director, J FEINT RETAILING Co., Ltd</td>
</tr>
<tr>
<td>Furusawa Kyoko</td>
<td>Outside Directors</td>
<td>Director, Waseda University Ventures, Inc.</td>
<td>Adjunct, ORANGE AND PARTNER CO., LTD</td>
</tr>
<tr>
<td>Nosaka Miwako</td>
<td>Outside Directors</td>
<td>Former Director, Nippon Information and Communications Technology (part-time)</td>
<td>President, Nara Institute of Science and Technology (part-time), Outside Director, Nissho Holdings Ltd, Outside Director, NGK Spark Plug Co., Ltd</td>
</tr>
<tr>
<td>Yago Natsunosuke</td>
<td>Outside Directors</td>
<td>Author, National Institute of Information and Telecommunications Engineering (NTT) (part-time) Executive Vice President, Tokushu University (part-time)</td>
<td>Executive Director, Nara Institute of Science and Technology (part-time)</td>
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<tr>
<td>Abe Shigeru</td>
<td>Outside Directors</td>
<td>Vice President, Kubota Corporation</td>
<td>Corporate Auditors, daito, Inc.</td>
</tr>
<tr>
<td>Okada Koichi</td>
<td>Outside Directors</td>
<td>Director, Kyocera Co., Ltd</td>
<td>Outside Audit &amp; Supervisory Board/Member, Den Fujio Corporation, Outside Director, ACCS Co., Ltd, Outside Audit &amp; Supervisory Board/Member, NEC Corporation</td>
</tr>
<tr>
<td>Funakawa Yuri</td>
<td>Outside Directors</td>
<td>Director, Mitsubishi Motors Corporation</td>
<td>Outside Audit &amp; Supervisory Board/Member, Mitsubishi Motors Corporation</td>
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</tbody>
</table>

**Executive Officer Training**

**Category**

- **Directors**
  - New hires are periodically offered training, including seminars and programs hosted by government agencies, Japan Federation of Economic Organizations, Japan Association of Corporate Directors, Japan Audit & Supervisory Board Members Association, etc.
  - The training is aimed at ensuring that all new hires are provided with appropriate training on a timely basis.

- **Corporate auditors**
  - The training is aimed at ensuring that all new hires are provided with appropriate training on a timely basis.

**Nomination Criteria**

- Independent officers: Outside directors and outside corporate auditors with no risk of a conflict of interest with general shareholders as stipulated by the stock exchange.

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Effectiveness Evaluation of the Board of Directors

SUBARU’s Board of Directors (BoD) analyzes and evaluates the Board’s effectiveness in accordance with the Corporate Governance Guidelines and considers and implements improvements to address any issues identified.

In FYE March 2022, the BoD confirmed efforts to address issues recognized in the previous year, based on monitoring of points raised in the previous year’s evaluation. It also gathered, analyzed, and evaluated views on issues for speedy Board discussion and investigation, based on the impact of the COVID-19 pandemic and dramatic changes in the business environment surrounding the automobile industry.

Methods of evaluation and analysis

1. Timing: January 2022
2. Process: Self-evaluation using a questionnaire prepared by a third-party body
3. Questions:
   a. BoD management structure
   b. BoD oversight function
   c. Shareholder dialogue
   d. Views on key efforts undertaken this year
   e. Issues for next year onward
   f. Views on other matters

Respondents evaluated themselves on a four-point scale. They were also free to add their own thoughts on points of excellence relating to the BoD and points requiring enhanced BoD effectiveness, before submitting the questionnaire directly to the third-party body.

Evaluation Results

Based on the report received from the third-party body aggregating and analyzing results, the SUBARU BoD discussed and confirmed the following points:

- As in previous fiscal years, the results confirmed that BoD management entails the conduct of free, open, and sound discussion.
- Points confirmed as strengths in previous evaluations (chairman’s leadership, responses to cross-shareholding, and size of the BoD) continued to be evaluated highly, confirming that Board strengths are being passed down systematically and sustained.
- Evaluation scores greatly improved for last financial year’s issue of executive compensation system design, including incentive-based compensation, as a result of active discussions on the review of the executive compensation system.
- Evaluations improved on discussions of strengthening governance and responding to social and environmental problems as a result of active discussions on responding to revisions to Japan’s Corporate Governance Code.
- Regarding the ongoing issue of discussion of medium- to long-term management strategy, evaluation scores improved, if only slightly, as a result of careful discussion on the disclosure of our progress report for the mid-term management vision “STEP.”
- Although evaluation scores fell regarding the risk management system, we recognize this is due to supply chain disruptions caused by semiconductor shortages, and we have confirmed that the risk management system and its operation are properly established.
- Since four (three directors and one corporate auditor) of the 13 executives are newly appointed, and the evaluation criteria may differ for each executive, we believe that caution is required when making simple comparisons with the previous evaluation.

Future Initiatives

The BoD will continue its efforts to deepen discussions of and improve the quality of, the medium- to long-term management strategy. With regard to risk management systems and operations, the BoD will also expand discussions on the establishment of a system to appropriately address newly identified risks, in light of the increased sensitivity to risk management due to supply chain disruptions caused by semiconductor shortages. In taking these and other actions, it will strive to maintain and improve BoD effectiveness with the aim of continuing to enhance medium- to long-term corporate value and achieving sustainable growth.

Results of the Questionnaire

Evaluation scale

1.0: Poor
2.0: Average
3.0: Good
4.0: Excellent

Evaluation Items

<table>
<thead>
<tr>
<th>Category</th>
<th>Subcategory</th>
<th>FYE March 2022</th>
<th>FYE March 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.Operational structure of the Board of Directors</td>
<td>Composition of the Board of Directors</td>
<td>4.0 Excellent</td>
<td>4.0 Excellent</td>
</tr>
<tr>
<td></td>
<td>Frequency, length, and the allocation of the Board meetings</td>
<td>4.0 Excellent</td>
<td>4.0 Excellent</td>
</tr>
<tr>
<td></td>
<td>Falling of agenda items</td>
<td>2.0 Average</td>
<td>2.0 Average</td>
</tr>
<tr>
<td></td>
<td>Quality and quantity of documents</td>
<td>4.0 Excellent</td>
<td>4.0 Excellent</td>
</tr>
<tr>
<td></td>
<td>Process explanation</td>
<td>4.0 Excellent</td>
<td>4.0 Excellent</td>
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<tr>
<td></td>
<td>Content of exploitations and reports</td>
<td>4.0 Excellent</td>
<td>4.0 Excellent</td>
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<tr>
<td></td>
<td>Leadership by the Chair</td>
<td>Adequate discussion</td>
<td>Adequate discussion</td>
</tr>
<tr>
<td></td>
<td>Supports for the Board of Directors</td>
<td>Adequate options for the provision of information</td>
<td>Adequate options for the provision of information</td>
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<tr>
<td></td>
<td>Training of inside directors</td>
<td>Training of inside directors</td>
<td>Training of inside directors</td>
</tr>
<tr>
<td></td>
<td>Involvement in the Board of Directors</td>
<td>Company-wide perspective</td>
<td>Company-wide perspective</td>
</tr>
<tr>
<td></td>
<td>Diverse values</td>
<td>Diverse perspectives</td>
<td>Diverse perspectives</td>
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</table>

Evaluation Items

<table>
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<tr>
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<th>FYE March 2022</th>
<th>FYE March 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.Supervisory functions of the Board of Directors</td>
<td>Reporting system</td>
<td>Supervision of corporate management</td>
<td>Supervision of corporate management</td>
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<tr>
<td></td>
<td>Risk management system of the Board of Directors</td>
<td>Supervisory of risk and response measures</td>
<td>Supervisory of risk and response measures</td>
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<tr>
<td></td>
<td>Discussion of management strategy</td>
<td>Discussion of capital policy</td>
<td>Discussion of capital policy</td>
</tr>
<tr>
<td></td>
<td>Discussion of strengthening governance</td>
<td>Discussion of environmental problems</td>
<td>Discussion of environmental problems</td>
</tr>
<tr>
<td></td>
<td>Composition of the Executive Committee and Appointment Committee</td>
<td>Cultivating successors</td>
<td>Cultivating successors</td>
</tr>
<tr>
<td></td>
<td>Dialogue with shareholders</td>
<td>Enhancing dialogue with shareholders and investors</td>
<td>Enhancing dialogue with shareholders and investors</td>
</tr>
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Evaluation Items

<table>
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<th>FYE March 2022</th>
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<tr>
<td>3.Discussion with shareholders</td>
<td>Dialogue with shareholders</td>
<td>Sharing views of shareholders and investors</td>
<td>Sharing views of shareholders and investors</td>
</tr>
<tr>
<td></td>
<td>Self-disclosures</td>
<td>Self-disclosures</td>
<td>Self-disclosures</td>
</tr>
</tbody>
</table>

Integrated Report 2022
Matters concerning the Policy for Determining Details of Compensation for Individual Directors

By resolution passed at the 85th Ordinary General Meeting of Shareholders, held in June 2023, the maximum total amount of annual compensation, etc., for directors is 1.2 billion yen (including a maximum 200 million yen for outside directors). The maximum total amount of annual compensation is 200 million yen per year, with the maximum total amount of annual compensation for outside directors being 100 million yen.

By resolution passed at the 88th Ordinary General Meeting of Shareholders, held in June 2023, the maximum total amount of annual compensation, etc., for corporate auditors is 130 million yen.

Summary of Revisions to Director Compensation in FYE 2023

- **Corporate Data**

- **Integrated Report 2022**

- **Integrated Report 2023**

- **Executive Compensation Meeting**

- **STEP**

- **PSU**

- **Restricted stock**

- **Performance-linked bonuses**

- **Annual performance-linked bonuses**

We have set up a compensation table more closely linked to compensation for the mid-term management vision "STEP." The table sets up a compensation structure to include the achievement of the financial and non-financial targets. Such compensation will not be paid to outside directors.

- **Compensation System for Directors (excluding outside directors)**

- **Revised compensation structure**

- **Before**

- **After**

The most significant change is the revision to the fixed portion of the compensation. For the Executive Vice President, Executive Officer of Marketing, and Executive Officer of Research, a certain amount will be paid at a certain time each year as the fixed portion. For executive vice presidents, senior vice presidents, and vice presidents, specific amounts will be determined after taking into consideration annual performance and contribution to level of human resource development. Such compensation will not be paid to outside directors.

- **Restructured stock compensation (Medium- and long-term incentive)**

- **Compensation System for Directors (Representative Director, President & CEO)**

- **Revisions to the Mid-term Management Vision**

- **Revisions to the Compensation System**

- **Annualized ROE**

- **KPI (Key Performance Indicator)**

- **Variable compensation type (PSU)**

- **Fixed and Variable Compensation Structure**

- **Compensation for Directors (excluding outside directors)**

- **Compensation for Directors (Representative Director, President & CEO) after revisions**

- **Compensation for Directors (excluding outside directors)**

- **Compensation for Directors (Representative Director, President & CEO) after revisions**

- **Compensation for Directors (excluding outside directors)**

- **Compensation for Directors (Representative Director, President & CEO) after revisions**

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The policy for determining the details of compensation, etc. for individual directors

The Policy for Determining Details of Compensation for Individual Directors

- **Basic policy**

- **Policy for determining the proportion of the Fixed Monetary Compensation, performance-linked compensation, and non-monetary compensation to the total compensation for individual directors**

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Value Creation Story

Commentary on Strategy

Mechanisms Supporting Value Creation

Corporate Data

Total Compensation for Directors and Corporate Auditors for FYE 2022

**Value Creation Story**

**Analytic Strategy**

**Mechanisms Supporting Value Creation**

**Corporate Data**

**Total Compensation for Directors and Corporate Auditors for FYE 2022**

**64 Integrated Report 2022**

**65 Integrated Report 2022**
Cross-Shareholding

Policy for cross-shareholding
SUBARU holds listed stocks as cross-shareholdings and engages in dialogues with the companies in question. Each year, SUBARU’s Board of Directors quantitatively measures and compares benefits from holdings, using dividend yield and the capital cost involved, using Articles weighted average cost of capital (WACC), in order to evaluate each. The Company will maintain these holdings only if it deems, based on the results of this verification, that the shares will contribute to its medium-term long-term management and business strategies in a qualitative manner.

Verification details for cross-shareholding
Based on the above policy, SUBARU has steadily reduced the number of listed stocks held as cross-shareholdings. As a result, 60 issues held at the end of March 2015 decreased to two issues at the end of March 2021. We consider these two issues to be essential to hold at this time for the following reasons, but we will continue to hold dialogues with these companies at least once a year, and the Board of Directors will evaluate and scrutinize these issues annually to determine whether they should be held or not.

<table>
<thead>
<tr>
<th>[MIL] (Issues)</th>
<th>Total amount reported on the balance sheet (right)</th>
<th>Number of issues (right)</th>
</tr>
</thead>
<tbody>
<tr>
<td>38,503</td>
<td>12,795</td>
<td>60</td>
</tr>
<tr>
<td>28,238</td>
<td>1,922</td>
<td>22</td>
</tr>
<tr>
<td>20,000</td>
<td>415</td>
<td>14</td>
</tr>
<tr>
<td>11,795</td>
<td>1,727</td>
<td>7</td>
</tr>
</tbody>
</table>

Michael Financial Group, Inc. 372,097 583

The Mizuho Financial Group firms have been supporting SUBARU with financial transactions and other services. In particular, Mizuho Bank has long been the Company’s most important financial partner, providing support in a broad area of management. The Company will continue to hold the group’s shares to promote fair and smooth financial transactions.

<table>
<thead>
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<th>The Gunma Bank, Ltd.</th>
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<th>1,009</th>
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Criteria for exercising voting rights for cross-shareholding
With regard to the exercise of voting rights for listed stocks held as cross-shareholdings, the Board of Directors deliberates on and determines the criteria for exercise with evaluation items such as whether the company is consistently exhibiting poor performance, whether a sufficient number of independent outside directors are in place and if management is supervised appropriately, and whether there are any corporate governance issues present. Although these are our general principles, we hold dialogues at least once a year with companies whose stock we hold to avoid making blanket decisions. Accordingly, we exercise our voting rights appropriately in light of the performance, management policies, and medium- to long-term management plans of the company in question, as well as from the perspectives of corporate value enhancement, corporate governance, and social responsibility.

Internal Control

Management System
With the aim of increasing the effectiveness of internal controls and risk management, the Internal Audit Department was made independent of the Risk Management Group, overseen by the Chief Risk Management Officer (CRMO), to ensure a higher level of independence of internal audit departments in the organization and to enhance the effectiveness of internal controls.

Internal Control System
In accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act, SUBARU’s Board of Directors has adopted a basic policy on putting in place systems that ensure that the performance of duties by directors is in conformity with laws and regulations, and that each has adequate information and knowledge to discharge his or her duties. These include regulations prescribed in the Financial Instruments Business Act, and other systems prescribed in the Financial Instruments Business Act, and other systems prescribed in the Financial Instruments Business Act.

Auditing

Auditing by Corporate Auditors
SUBARU has formulated internal rules to ensure the effectiveness of corporate auditors’ audits (e.g., Standards for Corporate Auditor’s Audit) and developed a whistleblowing system. In this way, the Company has established a framework where the corporate auditors can gather information from directors and employees as needed in case of matters that may cause significant damages to the Company, significant violation of laws / Articles of Incorporation, or other significant compliance matters. In addition, the framework ensures smooth performance of corporate auditors’ duties by assigning employees independent from directors to support duties of corporate auditors and making them known to all employees.

In FYE March 2022, audits focused on (1) the status of risk management promotion, (2) the Group governance system, and (3) the progress of the mid-term management vision “STEP.” These focused the soundness of efforts to realize overall management goals, especially in governance, at each department and Group company.

Main Initiatives
(1) Confirming monitoring and execution
In accordance with audit plans by corporate auditors, each corporate auditor attends important meetings, including those of the Board of Directors, Executive and Management Board Meeting, and in attendance, they monitor management decision-making processes, seek explanations as necessary, and actively express their opinions. Through exchanges of opinions with directors, vice presidents, and others, as well as site visits to major business establishments and Group companies, corporate auditors also confirm the status of business execution including the maintenance and operation of internal controls, with a focus on priority audit items.

We also ensure the effectiveness of audits by utilizing remote methods, such as online meetings, as necessary and when appropriate.

(2) Meetings with departments related to internal controls
The Legal Department and the Risk Management and Compliance Office report monthly on compliance concerns including the operation of the whistleblowing system, and human resource departments report regularly on the status of issues such as disciplinary cases and industrial accidents.

In addition, the Company receives reports from the departments in charge of managing subsidiaries on the status of governance and internal controls for subsidiaries as necessary.

(3) Cooperation in the three-party audit system
The Company holds monthly audit report meetings with the Internal Audit Department, receives reports on all internal audit results, and exchanges information and opinions on internal control issues.

Furthermore, we receive quarterly reports from the accounting auditors on the status of accounting audits and exchange opinions with them as necessary on major matters for consideration in audits and other subjects, thereby ensuring close mutual cooperation in the three-party audit system.

In addition, we hold meetings to exchange opinions and share information with corporate auditors and Group companies, and we also seek to collaborate with these corporate auditors by requesting their attendance at site visits to their respective Group companies.

Based on the findings confirmed through the above audit activities, we capture a range of opportunities to engage with the business execution side, including exchanges of opinions with all corporate auditors, the chair of the Board of Directors, and the representative directors, and at Group company presidents’ meetings. Through these activities, we share information and provide necessary advice and recommendations for the resolution of important management issues, including the strengthening of Group governance.

Internal Auditing
SUBARU has established the Audit Department (15 members) that reports directly to the President as an internal auditing organization. This organization evaluates the state of the development and operation of internal controls with regard to business execution at SUBARU and its Group companies in Japan and overseas from an independent and objective standpoint, providing advice and proposals for improvement. The Audit Department systematically conducts audits of business execution in accordance with an annual business audit plan prepared at the beginning of each fiscal year, taking into consideration the risks and internal control status of the entire Group. Audit reports are distributed to all directors, corporate auditors, and relevant departments at the same time as reports are directly made to the President. In parallel with these reports, they are also made at semi-annual meetings of the Board of Directors and quarterly at joint meetings consisting of all vice presidents.

SUBARU’s Audit Department and corporate auditors work together to strengthen audit functions, as described in “Cooperation in the three-party audit system” above. In addition, we strive to strengthen audit functions by sharing information with the accounting auditors on audit plans and audit results on a quarterly basis. In addition, the internal Audit Department periodically undergoes an evaluation by external experts to confirm that audit operations are being performed appropriately.

Internal Control System Related to Financial Reporting
Regarding internal control reporting systems pursuant to the Financial Instruments and Exchange Act, the evaluation of the internal control system related to financial reporting is carried out on the final day of the consolidated accounting period and is conducted in accordance with generally accepted assessment standards for internal control over financial reporting.

The President & Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) evaluated the status of the development of the internal control system related to financial reporting prescribed in the Financial Instruments Business Act as of March 31, 2022, and affirmed that it has been established properly and functions effectively, and issued an internal control report audited by the accounting auditors to that effect.

https://www.subaru.co.jp/en/ir/library/securities-reports.html (Japanese version only)
Compliance

Our Approach

At SUBARU, compliance is positioned as one of our most important management issues in our Corporate Governance Guidelines. We instill in each employee a strong awareness that thorough group-wide compliance forms the foundation of SUBARU’s management, that we must observe all laws and internal regulations relevant to our business activities, that our corporate activities must be executed in a manner that is fair and just in conformance with general social ethics, common sense and standards, and that these principles should be reflected in their actions. We have also created and operate a compliance system/organization, and carry out activities such as providing all kinds of training for these purposes.

Management System

SUBARU has established the Risk Management and Compliance Committee, a company-wide organization designed to promote compliance. This committee deliberates, discusses, decides, and exchanges information on important matters related to risk management.

Also, each department formulates their own implementation plan (compliance program) to promote compliance every fiscal year, and moves forward with continuous, systematic independent activities.

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Also, each department formulates their own implementation plan (compliance program) to promote compliance every fiscal year, and moves forward with continuous, systematic independent activities.

Compliance Hotline

When regular and temporary employees of SUBARU and its Group companies in Japan detect a problem related to compliance in the group, they can consult with the Hotline Desk through the Compliance Hotline.

Our Compliance Hotline is open 24 hours a day, 365 days a year. This number has been consistently increasing, with 241 consultations in FYE March 2022, the details of which are outlined in the table on the next page. Through initiatives to raise awareness of this system, SUBARU has improved awareness of compliance and fostered an atmosphere where employees can consult even about trivial matters. This has resulted in an increasing trend in the number of consultations over the previous five years.

Breakdown of Compliance Hotline Consultations and Trends Over Time

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
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<tbody>
<tr>
<td>Workplace env.</td>
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<td>65</td>
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<tr>
<td>Interpersonal relationships, harassment</td>
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<td>75</td>
<td>84</td>
<td>107</td>
<td>78</td>
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<tr>
<td>Other compliance-related issues (Work violations, suspicion of wrongdoing, etc.)</td>
<td>46</td>
<td>33</td>
<td>50</td>
<td>57</td>
<td>59</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>163</td>
<td>199</td>
<td>216</td>
<td>236</td>
<td>214</td>
</tr>
</tbody>
</table>

Training

In enforcing thorough compliance, we believe that initiatives in which the entire SUBARU Group acts in concert are necessary. We conduct compliance training, training for legal affairs in practical business, and other programs for all Group employees in Japan organized by our Legal Department, Risk Management and Compliance Office, and human resource and education departments. In particular, more than 15,000 employees have participated in video-based training programs introduced in light of work environment changes due to COVID-19, as we work to improve compliance awareness for all employees at SUBARU and its Group companies in Japan. In addition, to complement compliance enlightenment training, study groups are held at each department and affiliated company based on their compliance program, covering important laws and regulations related to their work. These include export controls, the Act on the Protection of Personal Information, the Antimonopoly Act, and the Political Funds Control Act.

Bribery Prevention

At SUBARU and its Group companies in Japan, we consider the prevention of bribery in connection to our businesses as an important issue, and work to ensure the following approach is rigorously permeated.

- Prohibition of providing, offering, or promising improper entertainment, gifts, favors, or other economic benefits to public officials or persons in similar positions, whether in Japan or abroad
- Prohibition of providing or receiving an amount in excess of socially accepted norms in dealings with business partners and customers who are not public officials or similar persons
- Prohibition of receipt of personal gain as a result of using information obtained in the course of business, establishing boundaries between public and private life

Under the monitoring system for bribery prevention, SUBARU collects information to ascertain the presence of cases that may constitute compliance violations through company-wide compliance activities, its whistleblowing system, and other channels. It also strives to use actions such as internal audit departments’ business audits to detect cases early. Furthermore, SUBARU has established a system to report high-risk cases to the Risk Management and Compliance Committee and the Board of Directors, in an effort to strengthen oversight.

Tax Policy

The SUBARU Group is able to conduct its business operations thanks to support from society, and it strongly recognizes the importance of returning profits to society. The SUBARU Group considers fulfilling its tax obligations to be an essential element of this. The SUBARU Group strives to ensure compliance with the tax laws and regulations of each country and jurisdiction, pursuant to the international rules and standards set out by international organizations, thereby fulfilling its societal obligations through appropriate tax payments, while aiming for sustainable growth through sound business activities.
Business Overview

Automotive Business Unit

SUBARU’s history as an automaker began with the launch of the SUBARU 360 in 1958. Since then, we have worked continually to provide new value in automobiles by developing new categories based on our core technologies, such as the horizontally-opposed engine and symmetrical all-wheel drive (AWD), and by creating new technological value, including Eyesight*, the world’s first driver assist system. These actions have deepened our relationships with customers. In recent years, we have positioned the U.S. as an important market, with a strategy of concentrating limited management resources in fields in which we should extend our strengths and advantages, including product lineups focused on SUVs and sports models. We provide Enjoyment and Peace of Mind through high value-added products. In addition, we are working to create ever-better cars in our alliance with Toyota Motor Corporation, bringing together our mutual strengths.

* Eyesight is the first driver assist system to provide all functionality solely through the use of stereo cameras.
SUBARU Core Technologies

SUBARU Global Platform

Balancing a high degree of both drive quality and passive safety performance

SUBARU is sequentially introducing the SUBARU Global Platform, starting with the Impreza launched in October 2016. The vehicle platform substantially increases body and chassis rigidity and further lowers vehicle center of gravity, raising the level of Active Safety and Passive Safety and delivering responsive handling performance and a comfortable ride with reduced unpleasant vibration and noise.

Symmetrical All-Wheel Drive (AWD)

Superior overall weight distribution

The combination of the low center of gravity provided by the horizontally-opposed engine and superior longitudinal-transverse weight balance achieved by placing the transmission near the center of the vehicle maximizes all-wheel drive capability and delivers superb driving performance in various conditions. SUBARU has been committed to Symmetrical AWD as a core technology that drivers can depend on in every situation from day-to-day town use to high-speed highway driving.

Horizontally-Opposed Engine (Boxer engine)

Compact, low center of gravity

The horizontally-opposed engine has pistons arranged symmetrically to the left and right of the crankshaft. The opposed pistons mutually cancel out engine vibrations, which reduces vibrations conveyed to the vehicle interior. The engine’s low height and compact design contribute to a low vehicle center of gravity. The stable attitude provides a high sense of security during driving.

EyeSight Driver Assist System

Stereo cameras for advanced object recognition capabilities

By using two cameras positioned on the left and right like human eyes, the EyeSight driver assist system is able to detect vehicles and pedestrians ahead of the vehicle in three dimensions and to accurately determine the distance, shape, and velocity of each object. This preventive safety technology helps avoid accidents, minimizes damage, and reduces the burden on the driver. The next-generation EyeSight system installed in the 2020 SUBARU Levorg features redesigned stereo cameras that allow for expanded visibility, as well as 360-degree sensor capabilities from the four radar units located at the front and rear of the vehicle. This system contributes to safe driving in an even wider range of situations, including intersections. In addition, the EyeSight X advanced driver assist system adopted in the new Levorg in Japan combines information from sources such as the GPS and QZSS “Michibiki” satellite systems with high-precision 3D map data, which extends driving support functions including lane change assist, slowing the vehicle before going into a curb, and hands-off driving assist in traffic congestion. We provide the latest features that reduce the burden on the driver and allow for safer, more comfortable road travel, particularly on highways, while maintaining value for money.

SUBARU Models through the Years

Note: our production models

1958
- SUBARU 360 released
- Domingo released

1961
- SUBARU Sandbar truck released
- Justy released

1966
- SUBARU 1000 four-door sedan released
- Justy released

1969
- R-2 released

1971
- Leone coupe released

1972
- Rex released

1977
- Legacy series released

1983
- BRZ released

1984
- Outback released

1989
- Forester released

1992
- Vivio released

1995
- Legacy series released

1997
- WRX released

1998
- Outback released

1999
- Forester released

2005
- Legacy series released

2008
- WRX released

2012
- Impreza series released

2014
- Legacy series released

2018
- Ascent released

2022
- SOLterra released

Note: our production models
Overview of Center Wing Box and SUBARU’s Technology

Since first participating in the Boeing passenger program in 1973, we have been involved in development and production as a key partner of Boeing for more than 40 years. SUBARU manufactures the center wing box, the critical aircraft section where the right and left wings are attached to the front and rear fuselage sections. Since the center wing box contains the fuel, it needs to be incredibly strong and watertight. For these reasons, great accuracy and advanced assembly technologies are required for its manufacture, and SUBARU is one of the few companies capable of making it.

The Handa Plant, located in Aichi Prefecture and where center wing boxes are manufactured, is a global-level production center that produces these parts for the Boeing 777X as well as for the Boeing 777 large airliner, the Boeing 787 mid-size airliner, the Ministry of Defense’s P-1 maritime patrol aircraft, and the C-2 transport aircraft.

The Aerospace Company will contribute to the enhancement of the SUBARU brand.

We are integrating many aerospace systems for commercial transport components, military aircrafts, helicopter systems and UAV’s, from R&D to manufacturing through operational support. Flight safety is critical factor for aircraft, and for many years we have fostered a culture in which quality and safety are recognized as inextricably linked and uncompromisingly pursued. This total safety concept is at the core of the SUBARU difference. In the defense program, we are working to mass produce and deliver the UH-2 utility helicopter used by the JGSDF, in the interest of making this a pillar of the Aerospace Company’s business going forward. Furthermore, orders and sales are steadily growing for the SUBARU BELL 412EPX, the commercial version of the UH-2.

The commercial transport programs have continued to face difficulties due to the impact of COVID-19 and other factors, but there are signs of recovery in demand for both domestic and international routes, suggesting demand for passenger aircraft will steadily recover. In preparation for this expected leap in growth, we are taking firm action to advance our defense and helicopter programs while continuing to work with our partner companies to strengthen our business resilience.
Mechanisms Supporting Value Creation

Corporate Data

Integrated Report 2022

Consolidated Ten-year Financial Summary

Subaru Corporation and its consolidated subsidiaries
Years ended March 31

<table>
<thead>
<tr>
<th>J-GAAP</th>
<th>IFRS</th>
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</thead>
<tbody>
<tr>
<td>13/3</td>
<td>14/3</td>
</tr>
<tr>
<td>15/3</td>
<td>16/3</td>
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<tr>
<td>17/3</td>
<td>18/3</td>
</tr>
<tr>
<td>19/3</td>
<td></td>
</tr>
</tbody>
</table>

Operating results (for the year)

| Cost of sales | Millions of yen | 1,501,809 | 1,728,271 | 2,017,496 | 2,187,136 | 2,386,286 | 2,442,706 | 2,361,713 |
| Gross profit | Millions of yen | 411,159 | 679,858 | 860,423 | 1,045,122 | 939,706 | 886,989 | 898,801 |
| Selling, general and administrative expenses*2 | Millions of yen | 290,744 | 323,369 | 347,378 | 479,533 | 528,916 | 410,542 | 403,232 |
| Operating income | Millions of yen | 120,411 | 326,489 | 423,045 | 565,890 | 410,810 | 379,447 | 395,299 |
| Income before income taxes | Millions of yen | 93,082 | 328,865 | 392,206 | 463,903 | 394,695 | 297,340 | 295,838 |
| Net income attributable to owners of parent | Millions of yen | 119,388 | 207,656 | 113,954 | 186,026 | 207,656 | 113,954 | 106,972 |
| Depreciation/amortization*3 | Millions of yen | 61,544 | 64,866 | 71,821 | 72,938 | 85,663 | 102,102 | 102,749 |
| R&D expenses | Millions of yen | 49,141 | 60,092 | 83,535 | 102,373 | 121,684 | 120,719 | |
| Total liabilities | Millions of yen | 3,180,597 | 3,156,150 | 2,830,210 | 2,830,210 | 2,830,210 | 2,830,210 | 2,830,210 |
| Net assets | Millions of yen | 969,913 | 1,030,719 | 1,464,888 | 1,561,023 | 1,612,825 | 1,612,825 | 1,612,825 |
| Per share | Yen | 1,941 | 2,349 | 2,812 | 2,924 | 3,074 | 3,074 | 3,074 |

Financial position (at year-end)

| Shareholders’ equity | Millions of yen | 1,689,899 | 1,712,203 | 1,786,383 | 1,786,383 | 1,786,383 | 1,786,383 | 1,786,383 |
| Equity attributable to owners of parent | Millions of yen | 1,682,428 | 1,712,881 | 1,777,735 | 1,777,735 | 1,777,735 | 1,777,735 | 1,777,735 |
| Total liabilities | Millions of yen | 3,180,597 | 3,156,150 | 2,830,210 | 2,830,210 | 2,830,210 | 2,830,210 | 2,830,210 |
| Ratio of shareholders’ equity to total assets | % | 52.9 | 52.0 | 52.1 | 52.2 | 52.3 | 52.4 | 52.5 |

Cash flows

| Net cash provided by (used in) operating activities | Millions of yen | 166,715 | 313,024 | 311,543 | 614,256 | 345,442 | 369,298 | 174,006 |
| Net cash provided by (used in) investing activities | Millions of yen | (71,370) | (33,903) | (172,780) | (255,676) | (254,252) | (190,711) | (158,327) |
| Free cash flow | Millions of yen | 95,345 | 279,121 | 136,783 | 358,580 | 91,190 | 215,587 | 15,679 |
| Net cash provided by (used in) financing activities | Millions of yen | (60,766) | (63,011) | (110,546) | (126,190) | (126,190) | (89,044) | (96,617) |

Per share

| Net income (EPS) | Yen | 153.23 | 264.76 | 335.57 | 559.54 | 365.77 | 287.40 | 192.78 |
| Equity attributable to owners of parent (EPS) | Yen | 184.44 | 198.99 | 99.77 | 99.77 | 99.77 | 99.77 | 99.77 |

Other information

| Non-consolidated exchange rate | Yen/USD | 82 | 100 | 108 | 121 | 108 | 111 | 111 |
| Number of shares issued | Thousands | 782,865 | 782,865 | 782,865 | 782,865 | 782,865 | 782,865 | 782,865 |
| Number of shareholders | Persons | 26,890 | 51,386 | 70,942 | 79,594 | 76,471 | 132,570 | 133,879 |
| Number of employees (parent only) | Persons | 12,717 | 13,034 | 13,883 | 14,234 | 14,708 | 14,879 | 15,274 |
| Number of employees (consolidated) | Persons | 27,509 | 28,545 | 29,774 | 31,151 | 32,599 | 33,544 | 34,200 |

Value Creation Story

Financial Information

Please visit the SUBARU website for details about financial information.


Commentary on Strategy

Corporation

Mechanisms Supporting Value Creation

Corporate Data

Value Creation Story

Commentary on Strategy

Mechanisms Supporting Value Creation

Corporate Data

Integrated Report 2022
### Consolidated Automobile Sales by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Legacy</th>
<th>Impreza</th>
<th>Forester</th>
<th>WRX</th>
<th>Ascent</th>
<th>SUBARU BRZ</th>
<th>OEM</th>
<th>Others</th>
<th>Passenger cars</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>93</td>
<td>61</td>
<td>43</td>
<td>26</td>
<td>49</td>
<td>368</td>
<td>2.9</td>
<td>0.5</td>
<td>132.6</td>
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<td>U.S.</td>
<td>234.4</td>
<td>213.9</td>
<td>197.2</td>
<td>186.3</td>
<td>193.1</td>
<td>72.6</td>
<td>2.9</td>
<td>0.5</td>
<td>670.9</td>
<td>894.9</td>
</tr>
<tr>
<td>Canada</td>
<td>14.2</td>
<td>13.3</td>
<td>13.0</td>
<td>9.7</td>
<td>11.4</td>
<td>586</td>
<td>2.9</td>
<td>0.5</td>
<td>701.6</td>
<td>894.9</td>
</tr>
<tr>
<td>Europe</td>
<td>9.7</td>
<td>6.8</td>
<td>8.8</td>
<td>3.4</td>
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<td>58.6</td>
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<td>Australia</td>
<td>13.3</td>
<td>10.6</td>
<td>8.0</td>
<td>7.2</td>
<td>9.2</td>
<td>92</td>
<td></td>
<td></td>
<td>37.0</td>
<td>31.7</td>
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</tbody>
</table>

* Legacy sales figures include sales of the Outback model.
* Impreza sales figures include sales of the SUBARU XV and Crosstrek models.

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### Consolidated Automobile Sales by Model

<table>
<thead>
<tr>
<th>Region</th>
<th>Legacy</th>
<th>Impreza</th>
<th>Forester</th>
<th>WRX</th>
<th>Ascent</th>
<th>SUBARU BRZ</th>
<th>OEM</th>
<th>Others</th>
<th>Passenger cars</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>China</td>
<td>5.5</td>
<td>3.8</td>
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<td>Other regions</td>
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<td>5.7</td>
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<td>4.9</td>
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<td>Overseas</td>
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<td>860</td>
<td>2.9</td>
<td>1066.9</td>
<td>1033.9</td>
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### Consolidated Automobile Sales by Region

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<th>Region</th>
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<td>U.S.</td>
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<td>Canada</td>
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<td>Europe</td>
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<tr>
<td>Australia</td>
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</tr>
</tbody>
</table>

* Automobile sales of Subaru Corporation and its consolidated subsidiaries

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### Other Financial Information

- The summary of consolidated financial results and presentation materials for results briefings are published in the Investors Relations section of the SUBARU website:
### Activities in the Six Priority Areas for CSR in Relation to SDGs

<table>
<thead>
<tr>
<th>Six Priority Areas</th>
<th>Relevant Stakeholders</th>
<th>Themes</th>
<th>Initiatives</th>
<th>Relevant Skills</th>
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<tr>
<td><strong>Employees</strong></td>
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<td><strong>Governments</strong></td>
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<td><strong>Environment</strong></td>
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<td><strong>Compliance</strong></td>
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</tbody>
</table>

Note: Development of products (vehicles) is based on a premise that they are equipped with the latest technologies yet affordably priced at the same time.
Value Creation Story  
Management System

SUBARU has established the Environment Committee, which discusses measures from broad and medium- to long-term perspectives that accommodate environmental standards required by future societies, and evaluates the progress of related implementations and achievements. Management of climate change-related activities is included in the responsibilities of the environmental management structure. Environmental risks and opportunities associated with climate change are assessed and monitored at the Environment Committee. Major issues are reported to the Board of Directors via the Sustainability Committee.

In addition, in order to contribute to the realization of a decarbonized society through the reduction of CO2 emissions throughout the life cycle of our business activities, SUBARU operates cross-company forums and designates departments in charge of the five areas of “product use,” “materials and components,” “transportation,” “disposal,” and “manufacturing” as of FYE March 2022. These efforts are overseen by the Environment Committee.

Governance Structure for Climate Change

<table>
<thead>
<tr>
<th>Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Management Board Meeting</td>
</tr>
<tr>
<td>(Chaired by the President and Representative Director)</td>
</tr>
<tr>
<td>Sustainability Committee</td>
</tr>
<tr>
<td>(Chaired by the President and Representative Director)</td>
</tr>
<tr>
<td>Environment Committee</td>
</tr>
<tr>
<td>(Chaired by the Environment Officer in Charge of Sustainability Division appointed by the Board of Directors)</td>
</tr>
<tr>
<td>Production &amp; Environment Subcommittee</td>
</tr>
<tr>
<td>Domestic Affiliated Companies’ Environment Subcommittee</td>
</tr>
<tr>
<td>Sales and Service Environment Subcommittee</td>
</tr>
<tr>
<td>Logistics Environment Subcommittee</td>
</tr>
<tr>
<td>CN Promotion Meeting</td>
</tr>
<tr>
<td>Global Warming Prevention Working Group</td>
</tr>
</tbody>
</table>

Management System

SUBARU recognizes that climate change is one of the most critical issues as it pursues the manufacture of environmentally responsible automobiles. To address climate change-related transition risks in policy and regulation, technology, markets, and other items, dedicated departments at SUBARU identify uncertain climate change-related risks. We also formulate our own scenarios and plans for achieving our medium- to long-term goals, based on policy trends in various countries and scenario-specific information published by the International Energy Agency and others. These scenarios and plans are examined for compatibility with policies relevant to SUBARU.

Main Risks Identified

<table>
<thead>
<tr>
<th>Climate-related Risks</th>
<th>Main Risks Identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory risk</td>
<td></td>
</tr>
<tr>
<td>Business Management in General</td>
<td></td>
</tr>
<tr>
<td>Revisions to climate change targets in various countries could significantly impact our overall business.</td>
<td></td>
</tr>
<tr>
<td>Products</td>
<td></td>
</tr>
<tr>
<td>Failure to meet fuel economy regulations in various countries could result in additional costs or losses due to legal violations, or limit our opportunities to sell products.</td>
<td></td>
</tr>
<tr>
<td>Production Phase</td>
<td></td>
</tr>
<tr>
<td>SUBARU could incur rising costs due to fossil fuel use, not only because of geopolitical factors associated with petroleum etc., but also government carbon pricing systems.</td>
<td></td>
</tr>
<tr>
<td>Technology risk</td>
<td></td>
</tr>
<tr>
<td>Products</td>
<td></td>
</tr>
<tr>
<td>To promote electrification, it is crucial to ensure profitability for the entire product cycle ranging from procurement and use to disposal. Thus, it is essential to include SUBARU’s upstream and downstream partners in existing efforts toward this end. Failure to do this could render the Company unable to meet the profitability goal for the entire product life cycle.</td>
<td></td>
</tr>
<tr>
<td>Production Phase</td>
<td></td>
</tr>
<tr>
<td>If use of renewable energy does not grow as expected, SUBARU could face slower progress in achieving its Scope 1 and 2 emissions reduction goals.</td>
<td></td>
</tr>
<tr>
<td>Market risk</td>
<td></td>
</tr>
<tr>
<td>Products</td>
<td></td>
</tr>
<tr>
<td>At present, it is difficult to make predictions with regard to electrification, which will likely cause a substantial gap with the real state of market needs. In such a situation, SUBARU could incur unnecessary and excessive R&amp;D costs while facing a decline in customer satisfaction, resulting in unexpected losses and reduced sales opportunities as well as hindered advancement of the Company’s electrification efforts. SUBARU views electrification as a steady medium- to long-term trend. In the event of its swift and sweeping penetration of the market at some stage, SUBARU could be unprepared for such a prospect in terms of technology and timely product lineup, and thus suffer from a resultant loss of product sales opportunities.</td>
<td></td>
</tr>
<tr>
<td>Reputation risk</td>
<td></td>
</tr>
<tr>
<td>Business Management in General</td>
<td></td>
</tr>
<tr>
<td>Failure to implement adequate initiatives to achieve zero-carbon outcomes could have an adverse impact on recruitment and sales due to damage to brand value, and higher cost of capital due to difficulties in raising funds.</td>
<td></td>
</tr>
<tr>
<td>Acute physical risk</td>
<td></td>
</tr>
<tr>
<td>Business Management in General</td>
<td></td>
</tr>
<tr>
<td>As an impact of climate change, extreme torrential rain will frequently cause floods in various locations, which could pose risks of SUBARU’s operations being affected by disrupted supply of raw materials and submaterials.</td>
<td></td>
</tr>
<tr>
<td>Chronic physical risk</td>
<td></td>
</tr>
<tr>
<td>Business Management in General</td>
<td></td>
</tr>
<tr>
<td>There is a possibility that SUBARU might suffer from shortages of natural resources used for tires and metal resources for electrification technologies.</td>
<td></td>
</tr>
</tbody>
</table>

Main Opportunities Identified

<table>
<thead>
<tr>
<th>Climate-related Opportunities</th>
<th>Main Opportunities Identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market opportunity</td>
<td></td>
</tr>
<tr>
<td>If SUBARU’s efforts to make products more environmentally friendly and global efforts to mitigate/adapt to climate change progress adequately, the Company will be able to maintain its key markets while at the same time potentially expanding in markets receptive to its offer of “Enjoyment and Peace of Mind.” In addition, contributing to mitigating climate change issues could increase its brand value, enhancing its sales and monetizing ability, as well as decrease the cost of capital due to preferential financing from investors.</td>
<td></td>
</tr>
<tr>
<td>Energy source opportunity</td>
<td></td>
</tr>
<tr>
<td>Regarding energy use during the production phase, by transitioning to renewable energy while at the same time giving consideration to cost-effectiveness, SUBARU could overcome the risk of being exposed to price fluctuations involved in energy derived from fossil fuels, thereby preventing future cost increases.</td>
<td></td>
</tr>
</tbody>
</table>

Note: The risks and opportunities described above are based on past facts and currently available information, and may change significantly due to such factors as future economic trends and the business environment facing SUBARU. The opportunities described represent those for SUBARU’s products to contribute to climate change adaptation and do not anticipate climate change-related deterioration.
**Strategic Reorganization of Domestic Production for the Expansion and Acceleration of Electrified Vehicle Development**

In order to accelerate efforts in our CO2 Reduction Roadmap, SUBARU is implementing a strategic restructuring of its domestic production system and plans to invest 250 billion yen over five years starting from FYE March 2024. As our roadmap for this production system, we are planning to launch in-house production of BEVs*1 with a target start date around 2025, and to increase BEV supply capacity thereafter in phases. Furthermore, we are exploring the addition of dedicated lines for BEVs in 2027 or later, and will promote the steady installation of the next-generation e-BOXER, which combines our horizontally-opposed engine with the Toyota Hybrid System, in several models. The two main goals of this reorganization of the production system are to build a flexible system that can ensure production of gasoline-powered vehicles and HVs as needed during the transition to BEVs and to achieve efficient production in the BEV business, where there are still many issues of profitability, in order to improve business potential.

We believe that the key to promoting SUBARU’s electrification strategy is to provide product value meeting the expectations of customers while assessing the convenience of BEVs, including customer requirements and changes in preferences and values, as well as for infrastructure. This includes changes in markets and regulations toward a decarbonized society, as well as for the purpose of nurturing the relationships with customers that the SUBARU Group has treasured for some time. Based on this concept, we will continue to develop products that satisfy customers and bring them happiness. We will also continue to develop a flexible production system that incorporates the state of the market environment.

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**Risk Management**

The automotive industry is undergoing a major transformation, which only occurs once in a century. The SUBARU Group, which operates businesses globally, is aiming to enhance the resilience of its management infrastructure by ensuring the sustainability of its businesses through quickly tackling changes in world affairs. At the same time, the Group must boost its measures to minimize its human, social, and economic losses. Amid this environment, it is essential to strategically conduct risk management throughout the Group to conduct business activities. We therefore believe it is important to create a SUBARU Group that has an infrastructure that is resilient to risk to enhance our corporate value.

To address climate change-related transition risks, dedicated departments at SUBARU gather information from a wide range of sources and work to identify uncertain climate change-related risks from future projections. Such transition risks are presented and discussed at the Executive Meeting. The Executive Management Board Meeting and the Board of Directors, which are the relevant decision-making bodies, then determine measures in response.

For the physical risks associated with climate change, the Risk Management and Compliance Office plays a pivotal role in establishing regulations in response to these operational risks as part of the BCP*2. During emergencies, the office centrally collects Group-wide information, establishing a system to manage company-wide responses.

---

**Strategic Reorganization of Domestic Production**

<table>
<thead>
<tr>
<th>Plant</th>
<th>2022</th>
<th>Mid-2020s</th>
<th>2027 or later</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Plant</td>
<td>ICE</td>
<td>ICE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Next-generation e-BOXER</td>
<td>Next-generation e-BOXER</td>
<td></td>
</tr>
<tr>
<td>Oizumi Plant</td>
<td>BEV</td>
<td>BEV</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Starting in-house BEV production (ICE/BEV mixed production line)</td>
<td>Adding dedicated BEV production line</td>
<td></td>
</tr>
<tr>
<td>Kitamoto Plant</td>
<td>Engine Transmissions</td>
<td>Engine Transmissions</td>
<td>Next-generation e-BOXER transmission</td>
</tr>
</tbody>
</table>

---

**Risk Management**

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**Metrics and Targets**

In order to contribute to a decarbonized society, SUBARU has set long-term goals (long-term vision) for 2050 and medium-term goals (milestones) for around 2030, regarding the product (Scope 3) and production phases (Scope 1 and 2).

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Year</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products (Scope 3)</td>
<td>2050</td>
<td>Reduce average well-to-wheel<em>3 CO2 emissions from new vehicles (in operation) by 90% or more compared to 2010 levels</em>4.</td>
</tr>
<tr>
<td></td>
<td>Early 2030s</td>
<td>Apply electrification technologies<em>5 to all SUBARU vehicles</em>6 produced and sold worldwide.</td>
</tr>
<tr>
<td></td>
<td>Up to 2030</td>
<td>Make at least 40% of SUBARU global sales EVs or HEVs.</td>
</tr>
<tr>
<td>Plants and offices (Scope 1 and 2)</td>
<td>FYE March 2051</td>
<td>Achieve carbon neutrality.</td>
</tr>
<tr>
<td></td>
<td>FYE March 2037</td>
<td>Reduce CO2 emissions by 90% compared with FYE March 2017 (total volume basis).</td>
</tr>
</tbody>
</table>

---

*1 BEV: Battery electric vehicle

*2 Business Continuity Plan

*3 Well-to-wheel: Approach to calculating CO2 emissions including the emissions produced by the generation of electricity to be used by EVs and other vehicles.

*4 Reduce total CO2 emissions calculated based on the fuel efficiency (notified value) of all SUBARU automobiles sold across the world by 90% or more relative to the 2010 levels in 2050. Changes in the sales quantity due to changes in the market environment shall be taken into consideration, while minor changes in running distance shall not.

*5 Including material, chemical, and plastic recycling.

*6 Refers to the technology used to foster the use of electricity for EVs, HEVs, and others.

SUBARU is naturally working to improve the fuel efficiency of gasoline-powered vehicles while turning its attention to expanding its lineup of EV models, especially the development and supply of BEVs. We believe it will be especially important to steadily promote the expansion of the above initiatives in order to reduce the amount of CO2 emitted from automobiles. The percentage of SUBARU’s EVs as a share of global sales in FYE March 2022 was 4.9%. However, we will strengthen our earnings base in the BEV era by strengthening our supply capacity for EVs, including the start of in-house BEV production in the mid-2020s in conjunction with the reorganization of our domestic production system, the launch of the next-generation e-BOXER, and the addition of dedicated BEV production lines in the late 2020s. As we do this, we will work to ensure a high level of financial soundness, taking actions in a sustainable structure toward the achievement of our goal of making at least 40% of SUBARU global sales EVs or HEVs.
CO₂ Emissions (Scope 3)

<table>
<thead>
<tr>
<th>Category</th>
<th>Greenhouse Gas Emissions (t-CO₂)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FYE March 2019</td>
</tr>
<tr>
<td>1</td>
<td>1,703,682</td>
</tr>
<tr>
<td>2</td>
<td>372,211</td>
</tr>
<tr>
<td>3</td>
<td>103,210</td>
</tr>
<tr>
<td>4</td>
<td>658,268</td>
</tr>
<tr>
<td>5</td>
<td>31,984</td>
</tr>
<tr>
<td>6</td>
<td>4,446</td>
</tr>
<tr>
<td>7</td>
<td>13,506</td>
</tr>
<tr>
<td>8</td>
<td>N/A</td>
</tr>
<tr>
<td>9</td>
<td>13,283</td>
</tr>
<tr>
<td>10</td>
<td>N/A</td>
</tr>
<tr>
<td>11</td>
<td>29,079,531</td>
</tr>
<tr>
<td>12</td>
<td>556,139</td>
</tr>
<tr>
<td>13</td>
<td>2,394</td>
</tr>
<tr>
<td>14</td>
<td>N/A</td>
</tr>
<tr>
<td>15</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: The calculation method for SUBARU Scope 3 emissions has been revised in reference to the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain Ver. 2.3 (December 2017) by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. Database on Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain Ver. 3.0 (March 2020) by the Ministry of the Environment and SUBARU’s life cycle assessment (LCA) calculation standards.

Results and future plan of percentage of EVs sold (retail sales basis)

- Adding dedicated BEV production line
- Starting in-house BEV production
- Equipping with next-generation e-BOXER and other

For other environmental data, please visit:
https://www.subaru.co.jp/en/csr/environment/
Training Programs

SUBARU offers a wide range of learning opportunities so that all employees can develop their skills in accordance with their career plans and levels. In order to support employee career development, we introduced new programs in FYE March 2022, establishing a system and environment so that we, as a company, support the growth of the individual.

Structure of Training Programs

<table>
<thead>
<tr>
<th>Manager Class</th>
<th>Philosophy Sharing Program</th>
<th>Career Support</th>
<th>Business Skill Training Support</th>
<th>Global Focused Talent Development</th>
<th>Managerial Talent Development</th>
<th>Role Specific Programs</th>
<th>Self-improvement Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>New/Transfer</td>
<td>New employee training (after starting official employment)</td>
<td>New employee training (before starting official employment)</td>
<td>New employee training (after starting official employment)</td>
<td>New employee training (after starting official employment)</td>
<td>New employee training (after starting official employment)</td>
<td>New employee training (after starting official employment)</td>
<td>New employee training (after starting official employment)</td>
</tr>
</tbody>
</table>

Promoting active roles for female employees

The Diversity Promotion Office of SUBARU’s Human Resources Department leads efforts in relation to diversity. The office has designated “supporting female employees to take on more active roles,” “promoting the employment of people with disabilities,” “promoting the reemployment of post-retirement age workers,” and “promoting the recruitment of non-Japanese workers” as priority themes. Among them, SUBARU has placed particular emphasis on efforts to support and empower female employees.

<table>
<thead>
<tr>
<th>Status of Female Employees (Non-consolidated)</th>
<th>April 2018</th>
<th>April 2019</th>
<th>April 2020</th>
<th>April 2021</th>
<th>April 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of female employees</td>
<td>2.2%</td>
<td>2.3%</td>
<td>2.2%</td>
<td>2.2%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Proportion of female managers [Breakdown]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General managers and equivalent positions</td>
<td>1.2%</td>
<td>1.2%</td>
<td>1.2%</td>
<td>1.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Managers and equivalent positions</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Employment of People with Disabilities

<table>
<thead>
<tr>
<th>Status of People with Disabilities (Non-consolidated)</th>
<th>April 2018</th>
<th>April 2019</th>
<th>April 2020</th>
<th>April 2021</th>
<th>April 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees with disabilities (Persons)</td>
<td>269</td>
<td>280</td>
<td>291</td>
<td>306</td>
<td>318</td>
</tr>
<tr>
<td>Employment rate of people with disabilities</td>
<td>2.2%</td>
<td>2.3%</td>
<td>2.3%</td>
<td>2.3%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

Reemployment of Retirees

<table>
<thead>
<tr>
<th>Reemployment Rate</th>
<th>April 2018</th>
<th>April 2019</th>
<th>April 2020</th>
<th>April 2021</th>
<th>April 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reemployment Rate</td>
<td>108</td>
<td>83</td>
<td>82 (1)**</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Reemployment Rate</td>
<td>107</td>
<td>86</td>
<td>86 (27)</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Reemployment Rate</td>
<td>164</td>
<td>130</td>
<td>130 (43)</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Reemployment Rate</td>
<td>97</td>
<td>72</td>
<td>72 (19)</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Reemployment Rate</td>
<td>100</td>
<td>130</td>
<td>130 (44)</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Work Style Reform

As a precondition to making our customers happy, the SUBARU Group believes it is vital to provide employees with workplaces where they can work with vigor and peace of mind and demonstrate their abilities to the fullest. In order to help diverse employees maintain their work-life balance, we are diversifying work style options and expanding the relevant systems.

Moreover, our affiliated companies in Japan and abroad are fostering initiatives suitable for local business conditions and regional characteristics.

<table>
<thead>
<tr>
<th>Item</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accurate calculation of employed working hours</td>
<td>In July 2018, introduced a company-wide attendance management system for the central management of all electromagnetic records (computer log times and building entry/exit times) for the accurate calculation of employed working hours.</td>
</tr>
<tr>
<td>Encouraging employees to take at least five paid days off per year</td>
<td>In FYE March 2020, began implementing a measure for all employees, including an initiative to encourage employees who are newly entitled to take 10 or more paid days off to take at least five days off within seven months after the entitlement. Also established operational policies to ensure that all employees can take at least five paid days off per year.</td>
</tr>
<tr>
<td>Improving an upper limit on overtime working hours</td>
<td>Has been limiting the overtime work hours to 330 hours (10.5 working months) per annum and to 60 hours per month.</td>
</tr>
<tr>
<td>Raising the premium pay rate for overtime work exceeding 60 hours per month</td>
<td>Has been implementing necessary measures since FYE March 2017.</td>
</tr>
</tbody>
</table>

Paid Leave

<table>
<thead>
<tr>
<th>Paid Leave</th>
<th>Annual Paid Leave Utilization Rate (Non-consolidated)</th>
<th>Number of Employees Who Took Long-term Care Leave</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Number of employees who took leave (up to five days):</td>
<td>58.2</td>
<td>57.5</td>
</tr>
</tbody>
</table>

Childcare leave system

SUBARU has traditionally allowed employees, regardless of gender, to extend the their childcare leave period to the end of the first April after the child becomes two years old, with the option of taking leave in installments during this period. In addition, we publish the Maternity and Childcare Leave Handbook as well as videos and materials on revisions to Japan’s Childcare Leave System. Moreover, our affiliated companies in Japan and abroad are fostering initiatives suitable for local business conditions and regional characteristics.

<table>
<thead>
<tr>
<th>Item</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of days off taken by employees</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

Number of Employees Who Took Childcare Leave

<table>
<thead>
<tr>
<th>Number of Employees Who Took Childcare Leave</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees who took leave (up to five days):</td>
<td>88</td>
<td>80</td>
<td>80</td>
<td>93</td>
<td>104</td>
</tr>
</tbody>
</table>

For other employee data, please visit: https://www.subaru.co.jp/en/csr/social/resources/data.html
The SUBARU group, which can trace some of its roots to Aircraft Research Laboratory, has continuously nurtured highly creative technologies and increased corporate value by enhancing the SUBARU brand to respond to major changes in the times.

1917 Establishment of Aircraft Research Laboratory
1931 Establishment of Nakajima Aircraft Co., Ltd.
1945 Change of company name from Nakajima Aircraft to Fuji Sangyo
1960 Opening of the Gunma Main Plant
1960 Listing of shares on the Tokyo Stock Exchange
1966 Signing of a business alliance agreement with Isuzu Motors Ltd.
1968 Establishment of Subaru of America, Inc. (SOA)
1968 Dissolution of the business alliance with Isuzu Motors Ltd.
1968 Signing of a business alliance agreement with Nissan Motor Co., Ltd.
1968 Start of exports of Robin engines for snowmobiles to Polaris (U.S.)
1969 Start of operation of the Yajima Plant
1972 Release of the Leone 4WD Estate Van, the world’s first mass-production 4WD passenger vehicle
1978 Conclusion of a JV business agreement with Boeing
1983 Start of full-scale operation of the Oizumi Plant
1987 Release of the Justy model equipped with the world’s first electro-continuously variable transmission (ECVT)
1987 Establishment of Subaru-Isuzu Automotive, Inc. (SIA) in the U.S. in a joint venture with Isuzu Motors Ltd.
1989 Establishment of Subaru Canada, Inc. (SCI)
1989 Completion of Subaru Research & Testing Center (SKC)
1990 Subaru of America (SOA) made a wholly owned subsidiary
1990 Participation in the Boeing 777 program
1991 1996 Production of the first Rabbit Scooter
1991 Start of full-scale operation of the Oizumi Plant
1993 Start of operation of the Handa Plant
1999 Capital and business alliance with General Motors Corporation (GM) (U.S.)
1999 Business alliance with Suzuki Motor Corporation
2000 Dissolution of the business alliance with Nissan Motor Co., Ltd.
2002 Dissolution of the SIA joint venture with Isuzu Motors Ltd. and formal signing of a contract production agreement
2003 The Legacy wins the 2003–2004 Car of the Year Japan award
2003 Subaru of Indiana Automotive, Inc. (SIA) made a wholly owned subsidiary
2005 Participation in the Boeing 787 program
2005 Delivery of main wings for next-generation transport aircraft and next-generation fixed-wing patrol aircraft
2007 Start of production of Toyota cars (Camry) at SIA
2012 Start of knockdown production of the SUBARU XV in Malaysia
2012 Termination of production of mini-vehicles and shift to marketing on an OEM basis
2014 Signing of an agreement to participate in a project to develop and mass produce the Boeing 777X
2014 Termination of contract production of the Toyota Camry at SIA
2016 All new Impreza Sport/G4 wins the 2016–2017 Car of the Year Japan award
2017 Change of company name to Subaru Corporation
2017 Termination of production and sales of Subaru general-purpose engines and generators
2018 Introduction of the SUBARU BELL 412EPX helicopter
2019 Agreement on the further developing and strengthening of Subaru’s long-term partnership with Toyota Motor Corporation under a new business and capital alliance
2020 The all-new Levorg wins the 2020–2021 Car of the Year Japan award
Corporate Data

Company Name: SUBARU CORPORATION
Established: July 15, 1953
Paid-In Capital: ¥153,795 million
Fiscal Year-End: March 31
Accounting Auditors: KPMG AZSA LLC

Main Businesses:
- Automotive: The manufacture, sale, and repair of passenger cars and their components
- Aerospace: The manufacture, sale, and repair of airplanes, aerospace-related machinery, and their components

Stock Information (As of March 31, 2022)

- Common Stock Authorized: 1,500,000,000 shares
- Common Stock Issued: 769,175,873 shares
- Number of Shareholders: 147,507
- Number of Shares per Trading Unit: 100 shares
- Stock Exchange Listing: Tokyo Stock Exchange (Prime Market)
- Securities Code: 7270
- Transfer Agent and Account Management Institution of Special Accounts: Mizuho Trust & Banking Co., Ltd.

Breakdown of Shareholders:
- Securities companies: 37,797 thousand shares, 4.13%
- Financial institutions: 229,993 thousand shares, 29.38%
- Foreign institutions and others: 233,778 thousand shares, 30.39%
- Japanese corporations and others: 181,765 thousand shares, 23.63%
- Individuals and others: 184,812 thousand shares, 21.76%
- Treasury stock: 1,848,102 shares, 0.24%

Major Shareholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Held (in thousands)</th>
<th>Percentage of Total Shares Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota Motor Corporation</td>
<td>153,600</td>
<td>20.20%</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust account)</td>
<td>112,370</td>
<td>14.64%</td>
</tr>
<tr>
<td>Custody Bank of Japan, Ltd. (Trust account)</td>
<td>37,844</td>
<td>4.93%</td>
</tr>
<tr>
<td>BNYM TREATY DT 15</td>
<td>16,759</td>
<td>2.18%</td>
</tr>
<tr>
<td>MUZUHO SECURITIES ASIA LIMITED-CLIENT A/C</td>
<td>10,165</td>
<td>1.32%</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT - TREATY 50234</td>
<td>10,136</td>
<td>1.32%</td>
</tr>
<tr>
<td>Mizuho Bank, Ltd</td>
<td>10,078</td>
<td>1.31%</td>
</tr>
<tr>
<td>JP Morgan Securities Japan Co., Ltd.</td>
<td>8,841</td>
<td>1.15%</td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY 502103</td>
<td>8,651</td>
<td>1.13%</td>
</tr>
<tr>
<td>Sompo Japan Insurance Inc.</td>
<td>8,267</td>
<td>1.08%</td>
</tr>
</tbody>
</table>

Note 1: Number of shares held are rounded down to the nearest thousand shares.
Note 2: The percentage of total shares held is calculated based on the number of shares excluding treasury stock of 1,848,102 shares.