IT and DX Strategies

Basic Policy

In the automotive industry, which is facing a period of major transformation, SUBARU is working to meet customer expectations and enhance its corporate competitiveness by advancing efforts to achieve "Monozukuri Innovation" and "Value Creation," as outlined in the SUBARU New Management Policy. Amid the rapid advancement of IT and digital technologies across society, our IT strategy is driven by the vision of creating a sustainable SUBARU through IT. Based on this, we will use each of our initiatives to build the foundations of development, manufacturing, sales, and, while also driving transformation across the entire SUBARU Group through IT, creating the agility needed to keep pace with the times.

The vision of our IT strategy is to create a sustainable SUBARU through IT

- Cultivate human resources that continue to transform operations through IT and data
- Become "One SUBARU" and strengthen competitiveness through IT and data

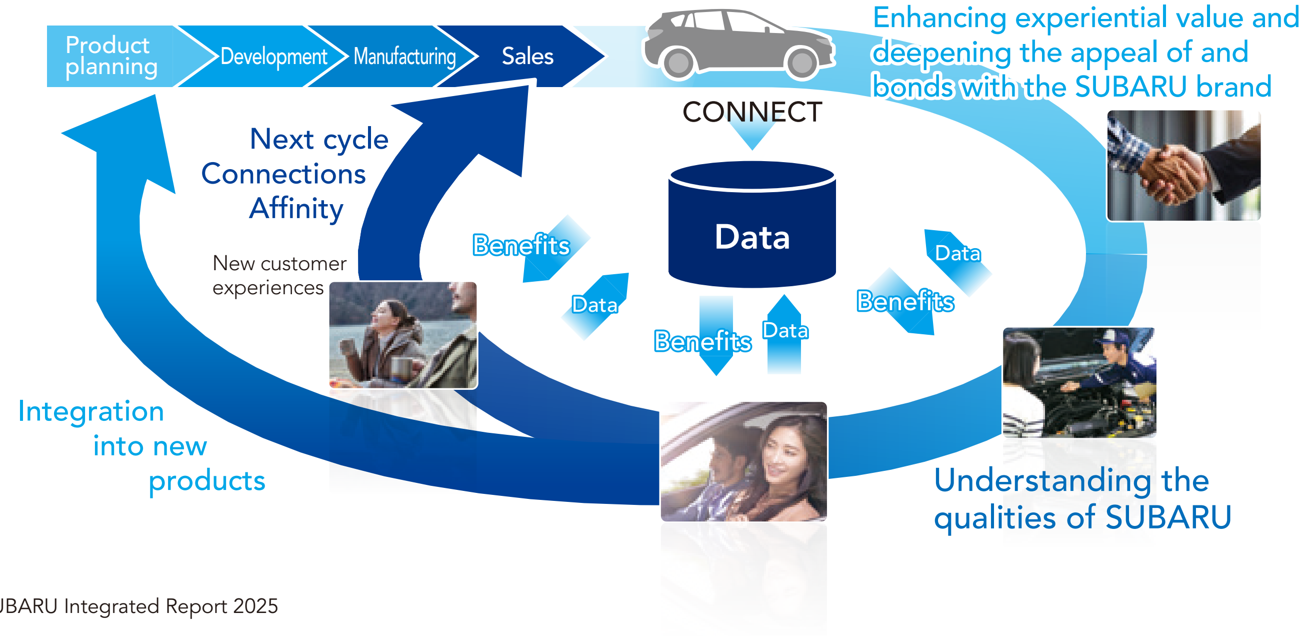
The role of IT in achieving "Monozukuri Innovation" and "Value Creation"

- Company-wide reform with an IT cross-functional approach
- Establishing an IT-centered foundation

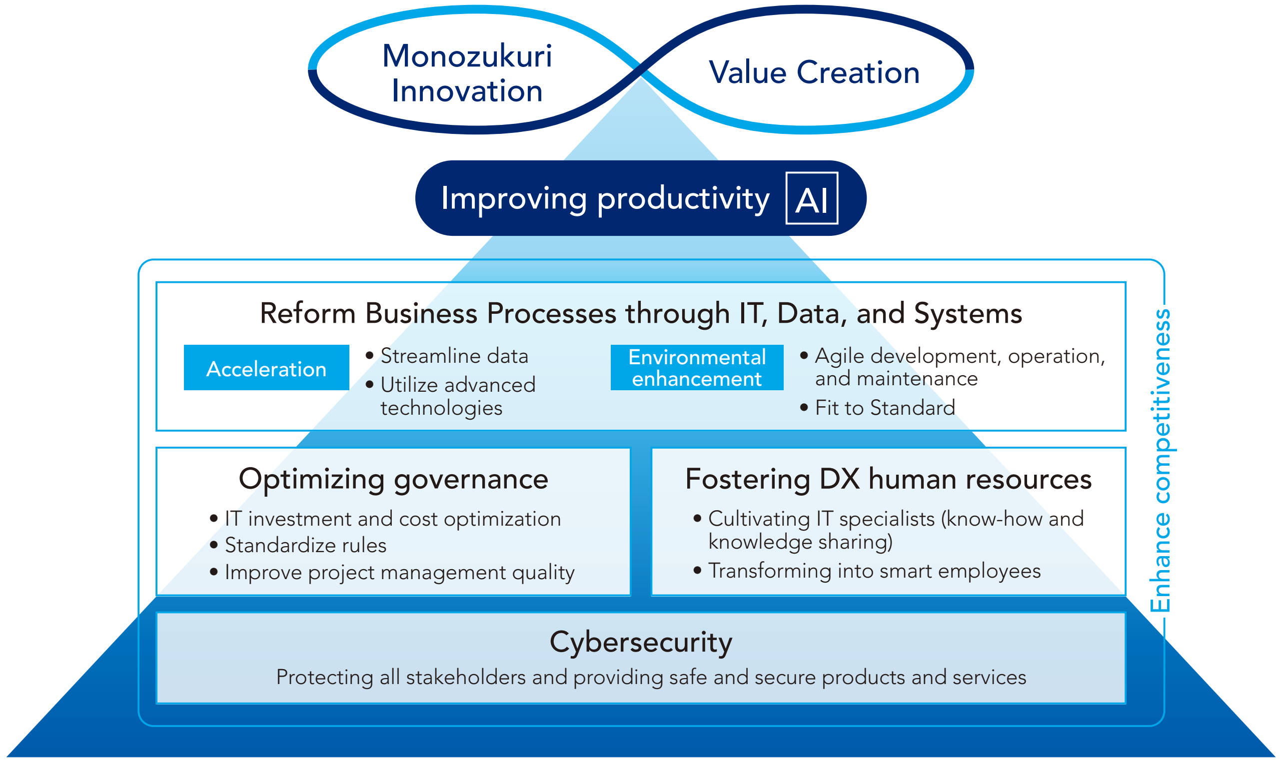
Strengthening the Connection Between the SUBARU Brand and Our Customers through IT

To strengthen the connection between the SUBARU brand and our customers, we are advancing the use of IT, data, and digital technologies with two main pillars: reinforcing the monozukuri process and creating new value. Previously, our systems and data were individually optimized by department, which hindered our ability to effectively utilize valuable data. To address this issue, we are building an environment that centers on data and enables collaboration with various business activities, aiming to create synergistic effects among our diverse initiatives toward achieving "Monozukuri Innovation" and "Value Creation". By effectively utilizing the accumulated data, we will enhance the entire monozukuri process, which is becoming more advanced and complex, particularly in electrification.
At the same time, we are advancing efforts to provide customers with new experiential value, further deepening our connection with them.

Internal systems	Creating new customer experiences
Reinforcement of the Monozukuri process (Changes in our business, organization, processes, and corporate and organizational culture)	Creation of new value = "Value Creation" (Changes to products, services, and business models)



Approach to Key Initiatives



Reform Business Processes through IT, Data, and Systems

In response to the rapid and non-linear transformation in the automotive industry, we are working on business process reform to simplify operations using IT and data, aiming to respond at a pace that far exceeds SUBARU's previous capabilities. We are promoting Company-wide reform through IT by streamlining data, utilizing advanced technologies to accelerate and simplify operations, and establishing a framework for agile development, operation, and maintenance. Additionally, by adopting the Fit to Standard approach, which leverages the best available technologies, we are quickly optimizing our operational environment.

Enhancing Corporate Foundations Through Optimized IT Governance and Stronger Cybersecurity

The scope of stakeholders we engage with continues to expand due to technological advancements and changes in business and work styles. From the "One SUBARU" perspective, we are working to optimize IT investments and costs, improve efficiency through rule standardization, enhance project management quality, and establish global IT governance centered around cybersecurity. This is so that our entire supply chain, including our bases, affiliates, and suppliers in Japan and overseas, can consistently carry out operations that earn the trust of all our stakeholders.

Cultivating Talent to Drive Reform through IT and Data in an Era of Transformation

To create and deliver new products and services in an era of transformation, it is essential to effectively utilize IT and digital technologies, particularly AI technologies. To achieve this, we are working to improve the engagement of our IT human resources, promote the use of generative AI and improve IT and DX literacy for all employees, develop specialized talent with advanced IT skills, and discover and nurture individuals capable of leading business improvements through the use of IT and data. We have positioned this series of measures as part of our "smart employee" strategy, emphasizing the cultivation of our human resources.

Risk Management

SUBARU has built a unique presence by thoroughly implementing "selection and concentration" and devoting its limited management resources to value creation that is uniquely SUBARU. With "Enjoyment and Peace of Mind" as the core driver of our value creation, we continue to evolve as a company that sincerely engages in vehicle manufacturing and brings smiles to the faces of our customers and society at large. Now, we are working hard to thrive in this once-in-a-century period of major transformation with the world's leading "Monozukuri" and "Value Creation."

In my role as Chief Risk Management Officer (CRMO), I will contribute to carrying out management strategies that provide defensive capabilities underpinning SUBARU's ambitions, viewing risk not merely as a threat but as a possibility for the future.

The business environment in 2025 is filled with unprecedented uncertainty. Geopolitical risks such as U.S. tariff policies, rapid changes in national laws and regulations to address climate change, and rising cybersecurity risks are key issues that will directly impact SUBARU's business activities.

We view these risks not as management constraints but as starting points for management; by enhancing our ability to respond proactively, we will link these to sustainable growth. For example, compliance with environmental regulations provides an opportunity to create new customer value as electrification technologies evolve. In addition, in addressing cybersecurity, an element supporting "Monozukuri" and "Value Creation," we aim to provide products and services that offer safety and peace of mind by both transforming Company-wide mindsets and taking technological measures.

Promoting compliance is the cornerstone of corporate trust and embodies SUBARU's customer-first spirit. We are constantly aware of the support of our stakeholders, and we emphasize not only compliance with rules, but also a proactive attitude of doing good deeds. What is necessary for this is to always act with consideration of what is the right thing to do. In order to make this take root in the company, we are promoting "Insightful Compliance" to foster a culture in which the work site makes its own judgments and reviews the rules flexibly and correctly according to the situation. This is an essential attitude for corporate integrity and responsibility in a rapidly changing social environment.

Based on this belief, we are committed to acting with transparency and thorough accountability in all areas of our business activities, including quality assurance, information security, and relationships with suppliers, in order to further strengthen our relationship of trust with society.

In order for SUBARU to continue to be a company "Delivering Happiness to All," we will work together as a unified company to promote risk management and compliance, and evolve beyond "defensive" aspects to also build an "offensive" foundation that supports SUBARU's ambitions.

Fumiaki Hayata
Representative Director, Executive Vice President
Chief Risk Management Officer (CRMO)

Our Approach

The SUBARU Group 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 hundred years. The SUBARU Group, which operates businesses globally, is aiming to enhance the resilience of its management infrastructure and ensure the sustainability of its businesses by 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 promote risk management throughout the Group to conduct business activities. We therefore believe it is important to make the SUBARU Group resilient to risk enhance our corporate value resilient to risk to enhance our corporate value.

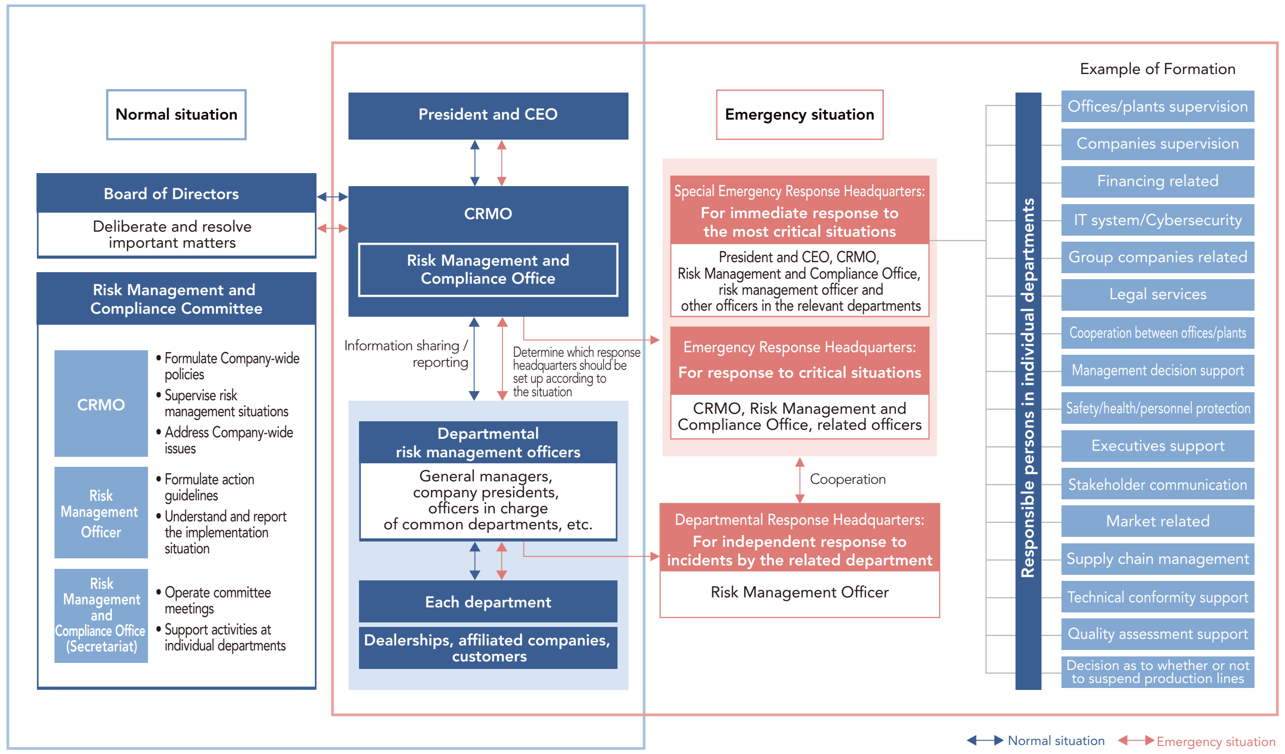
Management System

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 the Company's risk management and compliance activities, reporting their status to the Board of Directors, where decisions are made on important matters after deliberation.

As a system to promote risk management, SUBARU has appointed risk management officers (job grade of Chief General Managers) for each department and established the Risk Management and Compliance Committee (RMCC). The RMCC is chaired by the CRMO, and its vice-chairperson is the executive officer in charge of the duties of the Risk Management Group, comprised of the Risk Management and Compliance Office and the Legal Department. At the RMCC, members deliberate, discuss, make decisions, and exchange/communicate information on important matters. Depending on the level of importance, matters are submitted to the Board of Directors.

The CRMO leads Group-wide efforts to enhance risk management with professional support from experts in corporate departments, such as the Risk Management and 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



Risks Associated with Business Activities

At the SUBARU Group, we extract and identify key risks associated with our business activities and consider measures to combat them. Specifically, based on a Risk Map formulated through management-level discussions that take into account external changes and the current environment, in addition to important risks of each division, the following 20 risks have been identified as risks that have a significant impact on business activities in consideration of their frequency of occurrence and impact on business activities. These risks are reassessed on a regular basis as we work to strengthen risk management.

20 Risks Affecting Business Activities

Risks related to changes in the economic and financial environments

Economic trends in major markets	Financial market fluctuations
Exchange rate fluctuations	Change in raw material costs

Risk of regulations and events in various countries that impact other business activities

Political, regulatory, and legal procedures in various countries that impact business activities	Damage related to natural disasters
Geopolitical and geoeconomic disasters (international conflicts, terrorism risk)	Outbreak of infectious diseases, etc.

Risks related to industries and business activities

Focus on specific businesses and markets	Intellectual property infringement	Stakeholder communication
Changes in the demand and competitive environment in the market	Cybersecurity	Respect for human rights
Responsibility related to products, sales, and services	Compliance	Secure and train human resources
Supply chain disruptions	Legal proceedings, e.g., lawsuits	Climate change

↓

Impact on business performance or financial standing

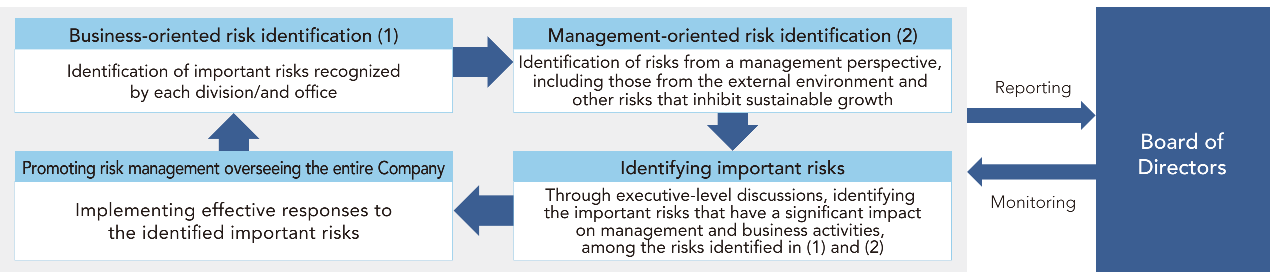
Initiatives in FYE March 2025

(1) Identifying/grasping risks that have a significant impact on management and strengthen risk management:
- Identified/grasped risks in line with the progress of the New Management Policy and strengthened risk management activities in line with priority issues
- Conducted cyber incident drills led by risk owners responsible for each risk area, thoroughly promoted fair trade with affiliated companies, and enhanced our business continuity plan (BCP) for natural disasters, and the RMCC regularly followed up on these efforts to improve their effectiveness

(2) Improving literacy:
- Conducted training to improve risk management methods and literacy for personnel in charge of risk management in each department

(3) Strengthening global risk management:
- Shared risk assessment status and risk mitigation measures with key overseas subsidiaries, and strengthened risk management in line with local laws, regulations, and culture

The SUBARU Group's Risk Management Cycle



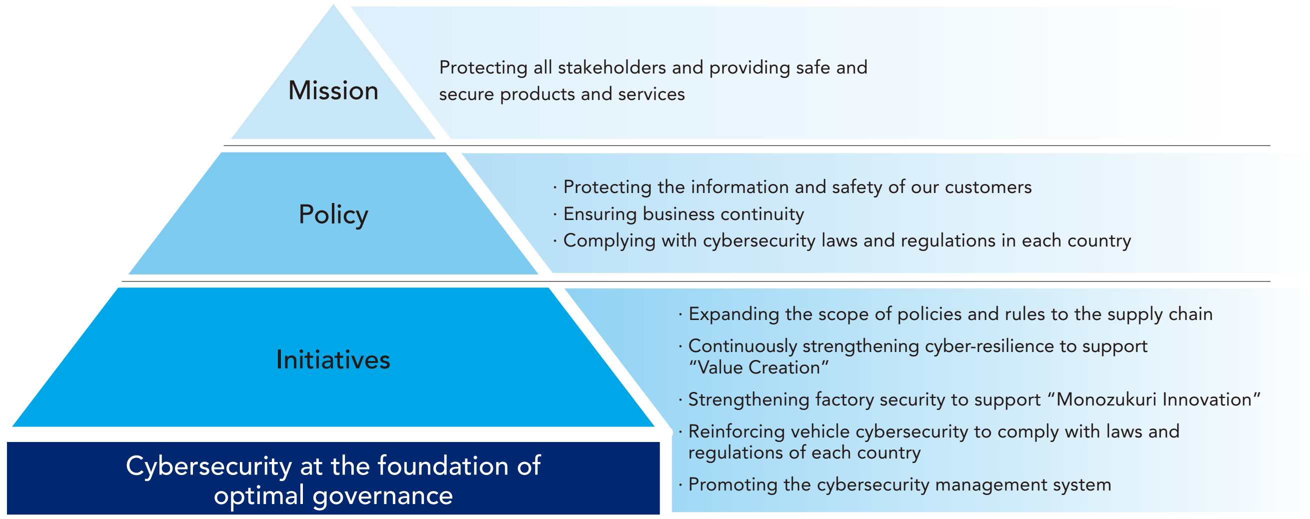
Response to U.S. Tariff Policy

Our Group is engaged in the automotive business with the U.S. as its main market. Under the U.S. tariff policy, finished vehicles imported from Japan mainly by our U.S. sales subsidiary and parts imported from certain countries for locally manufactured vehicles at our U.S. production bases are subject to tariffs. Therefore, in order to minimize the impact of the tariff policy, related departments at each business site and between Japan and the U.S. will work closely together as a unified Group to increase sales volume, improve the sales mix, curb sales incentives, cut costs, and reduce expenses, while securing profits by offering attractive new, uniquely-SUBARU products to customers.

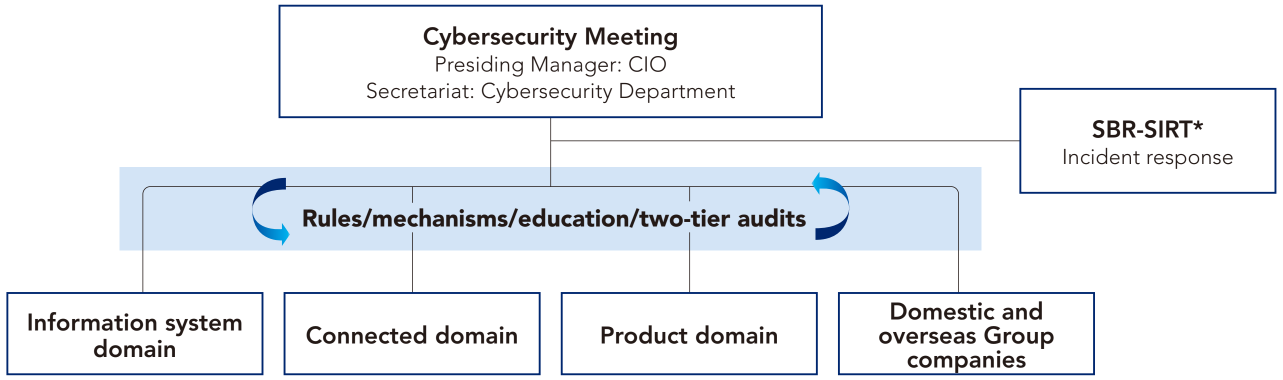
Response to Cybersecurity Risks

The Group considers cybersecurity to be one of the important management foundations to support the sustainable growth of the Group. Therefore, the Chief Information Officer (CIO) has been appointed by the Board of Directors to oversee cybersecurity activities, and is the presiding manager of the Cybersecurity Meeting, which promotes cybersecurity activities. In addition, to prevent security incidents and further strengthen cybersecurity measures, we are also taking technical measures and strengthening IT governance by incorporating the insights of outside security experts.

To bolster our security, based on the belief that cybersecurity is the foundation of optimal governance, we are taking actions to protect all stakeholders.



Cybersecurity Promotion System



* SUBARU Security Incident Response Team
Normal situation: Monitors security information for SUBARU's protected areas
Contingencies: Acts to quickly and appropriately protect and restore SUBARU's protected areas

For details on risks associated with business activities, please see pages 28 to 35 of the Annual Securities Report. (in Japanese only)
https://www.subaru.co.jp/ir/library/pdf/ms/ms_94.pdf

Compliance

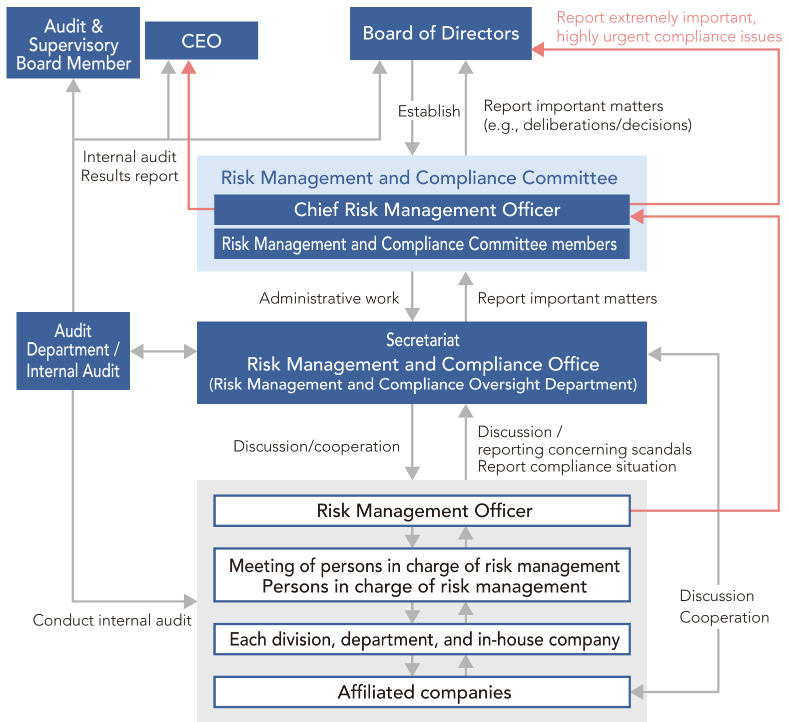
Our Approach

At SUBARU, compliance is positioned as one of our most important management issue. All officers and employees of the SUBARU Group are deeply ingrained with the commitment to adhere to the Compliance Manual, laws, internal regulations, and social ethics and norms, making it an integral part of their behavior at all levels. In the unlikely event of a violation of set standards, not only could the Company incur damages in accordance with legal regulations, but such incidents could erode the trust and confidence of customers, suppliers, clients, shareholders, and broader society. Through the establishment and operation of a compliance system and organization, as well as various training activities, we are working to ensure that all employees have a strong awareness that thorough compliance forms the foundation of our management, and that each and every employee thinks about compliance, engages in dialogue, and takes action to permeate "Insightful Compliance."

Management System

The SUBARU Group has established the RMCC as an organization to promote compliance, and the CRMO (Chief Risk Management Officer) appointed by the Board of Directors serves as the chairman of the committee and implements global and Group-wide initiatives. In addition, the committee is responsible for the formulation of various policies, etc., and deliberating and deciding on important compliance matters, such as the status of Group-wide compliance activities and the operation of the internal reporting system, as well as for information exchange and liaison.
The content of the committee's activities is deliberated and reported on at meetings of the Board of Directors, which oversees the RMCC. We also employ a PDCA cycle, with each department creating its own compliance program each fiscal year to enhance compliance. This involves consistent, structured independent actions for legal compliance management and to foster employee compliance awareness, as well as subsequent verification of compliance status.

Compliance System



Initiatives in FYE March 2025

(1) Clarifying laws and regulations to be complied with in all Company departments and Group companies in Japan:
- Promoted initiatives to clarify laws and regulations to be complied with in each department and increase transparency

(2) Strengthening the PDCA cycle of the global legal compliance system:
- Conducted autonomous assessments of the legal compliance system for the entire Group and implemented initiatives for an effective PDCA cycle

(3) Improving literacy:
- In response to growing social awareness of harassment, conducted ongoing video training and discussion-based training to foster ownership

(4) Providing multilingual support and improving reliability of the internal reporting system:
- Established the Internal Reporting Desk supporting English, Chinese, Portuguese, and Spanish to provide employees with an environment where they can report incidents with peace of mind, contributing to prevention and early detection of fraud

Compliance Hotline

When regular or temporary employees of the Company and its Group companies in Japan detect a problem related to compliance in the Group, they can consult with our Internal Reporting Desk by using the Compliance Hotline.

The Internal Reporting Desk is staffed by employees designated as engaged persons under the Whistleblower Protection Act, who investigate and respond to reports received by telephone, websites, mail, and other methods. We have also established a desk outside the Company staffed by external third-party specialists who have no conflict of interest to increase the hours in which service is available and to increase the confidentiality and security of those contacting the desk. Furthermore, we provide consultation services in four languages (English, Chinese, Portuguese, and Spanish) for foreign workers.

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, resulting in many consultations received. In addition, since more than 80% of consultations are interpersonal relationship or labor-related, this system also contributes to corporate culture reforms as a desk for taking up and resolving workplace issues. We have also established internal reporting systems at our overseas Group companies.

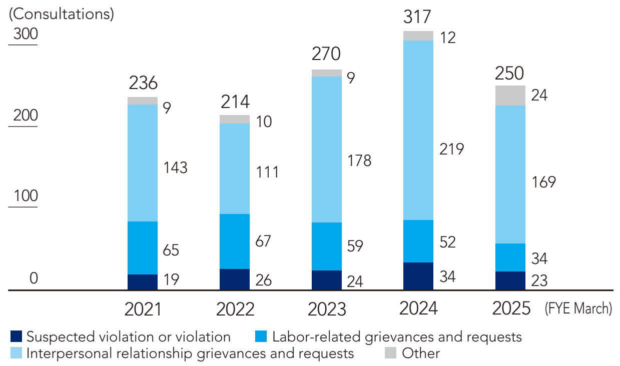
Consultations in FYE March 2025

Consultations: 250

Of which, compliance violation concerns and actual violations: 23

There were no serious compliance violations. In addition, four of the 23 consultations involved conduct that was identified as harassment, such as abuse of power, but there were no cases of violations of the Labor Standards Act. Although these cases did not constitute serious compliance violations, we confirmed the facts of the major cases and took corrective measures such as alerting the relevant parties and re-educating them on procedures and rules.

Breakdown of Compliance Hotline Consultations and Trend over Time



Contact for Business Partner (Supplier) Opinions and Consultation Services

We are taking actions to promote fair trade based on the Automobile Industry Fair Trade Guidelines. As part of this effort, we have established a consultation service for promoting fair trade for business partners in SUBARU's supply chain, with the aim of early detection, prevention, corrective measures, and preventing recurrence of compliance issues, to maintain a healthy supply chain and build the best possible partnerships with our business partners.

Since FYE March 2023, we have endorsed and cooperated with the supply chain human rights initiative, Japan Platform for Migrant Workers towards Responsible and Inclusive Society (JP-MIRAI), on the establishment of a consultation service for foreign workers in the supply chain in Japan. As background to this, our Purchasing Division took part in JP-MIRAI's "Consultation and Relief Pilot Project for Foreign Workers" in the aforementioned year. We also continue to participate in the "Cooperative Program for Companies Accepting Responsible Foreign Workers," which became fully operational in FY2023, targeting suppliers in the neighborhood.

Through these efforts, we will promote the establishment of consultation and relief services for workers throughout the SUBARU supply chain.

For other compliance information, including bribery prevention and tax policies, please visit our Sustainability Website.
https://www.subaru.co.jp/en/csr/governance/compliance.html

Respect for Human Rights

Our Approach

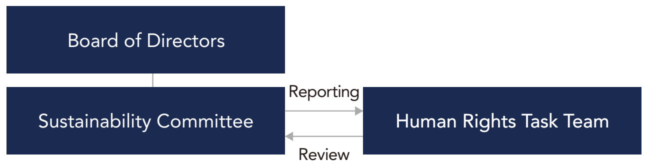
The SUBARU Group puts people first and engages in human-centered Monozukuri. SUBARU is working to embody its belief that respect for the rights and characteristics of individuals is an important management issue. The Group's Human Rights Policy established in April 2020 requires that we respect and adhere to the human rights stipulated in international norms such as the Universal Declaration of Human Rights, International Bill on Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work. It also applies to SUBARU and all its subsidiaries, as well as to suppliers and other stakeholders. The policy states that we do not tolerate any discrimination based on race, age, sex, gender identification or expression, sexual orientation, national origin, ethnicity, religion, creed, profession, disability, family relations, or any other status protected by applicable law.

This policy was formulated with full consideration to stakeholders' expectations, incorporating discussions with outside experts and overseas subsidiaries. It was officially established after agreement by the second meeting of the CSR Committee*1 for FYE March 2020 and reported to the Board of Directors in March 2020. This policy is run globally and appropriately, being ready to address future environmental changes.

*1 Renamed in FYE March 2022 from the CSR Committee to the Sustainability Committee.

Management System

To strengthen and advance its initiatives for human rights, we have appointed the Representative Director, President and CEO as a director who is responsible for leading the process of developing this policy and assigning resources as needed. Specifically, we formed the Human Rights Task Team comprised of management personnel including the general managers from the Human Resources Department, Investor Relations Department, Sustainability Promotion Department, Risk Management and Compliance Office, Global Purchasing Planning Department, the Gunma Plant General Administration Department, and the Aerospace Company Procurement Department. This team regularly examines human rights issues and their countermeasures and implements the plan-do-check-act (PDCA) cycle. The content of examinations within the team is annually reported and deliberated upon in the Sustainability Committee, chaired by the Representative Director, President and CEO. The details are then submitted and reported to the Board of Directors, which oversees the Sustainability Committee. At the Board, these details are monitored for their impact on the SUBARU Group's business and appropriately addressed.



Risks and Measures in Initiatives for Respect of Human Rights

At the SUBARU Group, we recognize that the area of respect for human rights presents risks related to industries and business activities. If the SUBARU Group or its suppliers or other affiliated parties engage in activities that violate regulations regarding labor environments and occupational health and safety, or activities constituting any kind of harassment, infringement of workers' rights and opportunities, or procurement that violates human rights, we believe that this is not just a violation of relevant laws and regulations. Beyond this, we believe that this could result in a loss of customer trust and confidence, lead to a damaged brand image due to flagging opinions and reputations in society, impede sales, lead to turnover in human resources, make it difficult to procure materials and funds, or other negative outcomes, which could have a significant impact on our business foundation and our business performance and financial position. The Group, based on the Human Rights Policy, carries out human rights due diligence to identify business-related human rights risks and formulates and implements measures to address them. Of these risks, we are steadily implementing measures to address those of particular importance to the Group, and we are continuously working to mitigate risks.

Human Rights Due Diligence

The Group carries out human rights due diligence in accordance with the procedures stipulated in the United Nations Guiding Principles on Business and Human Rights. Using the PDCA cycle, we are actively working on this together with our suppliers and suppliers, and the Human Rights Task Team regularly monitors the progress and issues, reporting the results to the Sustainability Committee and the Board of Directors once a year.

Achievements of Initiatives in FYE March 2025 and Future Issues

We re-examined the human rights risks and measures in the human resource domain that we identified in FYE March 2021 from the perspective of automobile manufacturing through a survey, including on-site inspections and interviews with relevant personnel by LRQA Sustainability Co., Ltd. at the Yajima and Oizumi Plants of the Gunma Plant. As a result, issues were identified from the perspective of automobile manufacturing in some cases of industrial accidents and forced labor among foreign workers. We will formulate new countermeasures in the interest of further improvement and more thorough preparedness, as well as continue to raise awareness about respect for human rights, and expand and continue verification of measures to mitigate risks.

Example measures implemented

	Key human rights risks	Example measures implemented	Achievements of initiatives in FYE March 2025	Future issues
Human resources domain	Harassment of workers	· Conducting harassment prevention workshops and training for management	· Conducted video-based harassment prevention education · Conducted harassment prevention awareness-raising lectures	· Preventing harassment and fostering greater awareness among employees
		· Operating a harassment consultation service · Early detection of risk issues using 360-degree evaluations for managers	· Informed employees about and encouraged use of consultation services and informed employees about the secretariat system · Identified high-risk individuals from evaluation results and conducted follow-ups with target workplaces	
	Forced labor among foreign workers	· Collaborating with supervisory bodies based on memorandums of understanding[2] regarding foreign trainee workers, and preventing misconduct and unfair treatment through regular audits	· Conducted regular audits every three months and workplace patrols every month, increasing opportunities for meetings with auditing bodies	· Enhancing collaboration with supervisory bodies and staffing agencies
		· Review of contracts and management methods with resident contractors on our premises (automobile manufacturing perspective)	—	—
	Infringement of rights of vulnerable people in local communities (automobile manufacturing perspective)	· Ensuring installation of sanitary boxes in women's restrooms at factories	· Confirmed installation and planned specification improvements (replacement). Measures completed at Gunma Main Plant (excluding some development units), Yajima Plant, Oizumi Plant	· Measures planned at the Kitamoto Plant of Gunma Plant and development units in FYE March 2026
Procurement domain	Human rights violations among suppliers	· Carrying out of supply chain human rights due diligence	· Continued to carry out suppliers CSR briefings and CSR surveys	· Improving the accuracy of supply chain and human rights due diligence
		· Building a supply chain grievance mechanism	· Maintained a worker consultation service via JP-MIRAI's collaborative program	· Establishing consultation and remediation services
	Responsible mineral procurement	· Human rights measures for conflict minerals (gold, tin, tantalum, and tungsten)	· Continued to implement conflict mineral surveys	· Continuing to gather information and prepare for compliance with new international laws and regulations
		· Human rights measures for non-conflict minerals	· Expanded cobalt surveys · Added new mica surveys	
	Harassment of suppliers	· Partnership Formation Oath (Japanese version only) · Compliance with the JAMA Voluntary Action Plan	· Implemented the provisions of the Oath · Conducting discussions on fair pricing with suppliers	· Promoting and increasing awareness of fair trade throughout the supply chain

2. SUBARU bears the cost of recruitment expenses (such as travel and training fees).

Respect for Human Rights in the Supply Chain

In accordance with the SUBARU Supplier CSR Guidelines, we have conducted surveys[3] in the form of a questionnaire regarding the status of our suppliers efforts to respect human rights and other issues since FYE March 2016, with the purpose of monitoring and evaluating the negative impact of human rights and other issues on our business partners. We are using survey results to actively promote efforts to respect human rights throughout the supply chain by supporting suppliers efforts to rectify issues and following up with them.

FYE March 2025 Questionnaire Survey (Excerpt from Human Rights/Labor Area) Conducted for 605 Companies (Response Rate: 100%)

Questionnaire	Description	FYE March 2025 Results
Supplier CSR check sheet	Survey on human rights and labor matters stipulated in the SUBARU Supplier CSR Guidelines, including discrimination, harassment, child labor, forced labor, wages, working hours, right of free association, health and safety, responsible procurement of raw materials, etc.	Identified four business partners that may have issues regarding human rights and/or labor Follow-up interviews confirmed no problems with initiative content
Employment of non-Japanese skilled workers in Japan (survey on employment of non-Japanese workers)	Confirmed wage levels, payment methods, working hours, Article 36 Agreement on overtime work and working on holidays (Labor Standards Act) in Japan, insurance, pensions, health checkups, living conditions, passport possession, Japanese language education, daily life guidance, and industrial accidents	Identified six business partners that may have issues Follow-up investigations with the six companies confirmed no problems with treatment regarding non-Japanese worker human rights and labor
Human rights initiatives	Determined presence of human rights due diligence at business partners and their supply chain, and conducted due diligence	Identified one business partner that may have issues Follow-up interviews confirmed no problems with initiative content

3. Surveys are conducted in areas such as human rights, labor, environment, and compliance. The following is an excerpt from the human rights survey. For details, please refer to information on supplier CSR briefings and CSR surveys on the CSR Procurement section of our Sustainability Website.

Sustainability Website

Respect for Human Rights https://www.subaru.co.jp/en/csr/social/human_rights.html
CSR Procurement https://www.subaru.co.jp/en/csr/social/procurement.html

Corporate Governance

Our Approach

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.

<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.

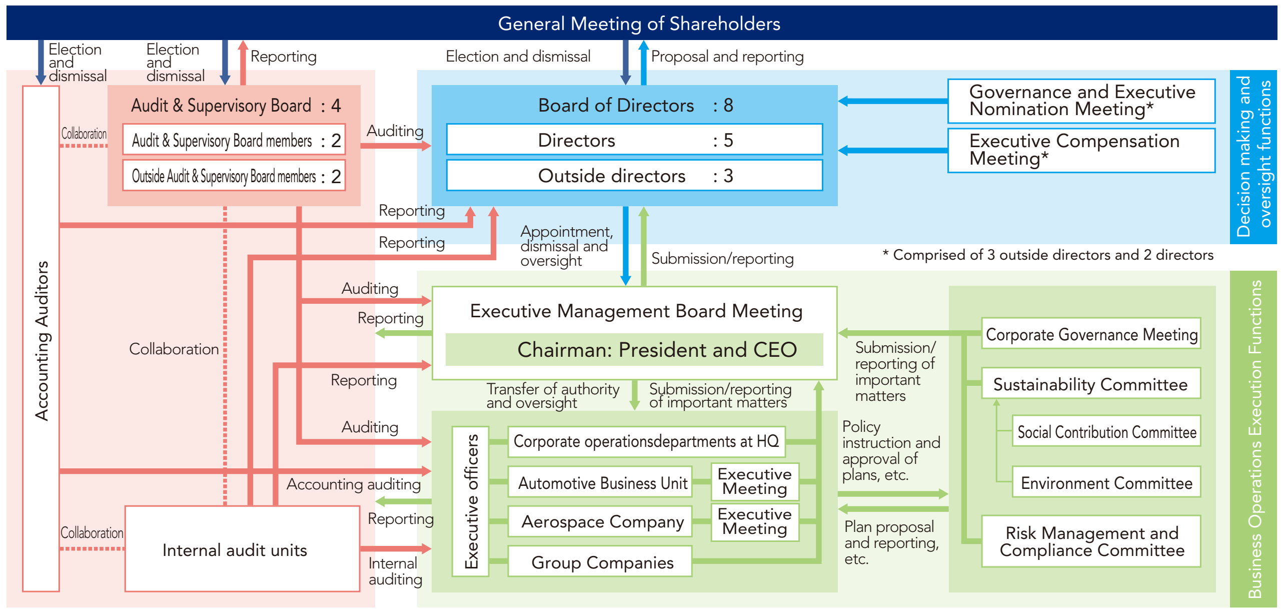
For information on corporate governance (general)
https://www.subaru.co.jp/en/ir/management/governance/

Corporate Governance Structure

SUBARU has adopted a corporate governance system with an Audit & Supervisory Board, in which Board of Directors performs decision making and oversight of execution of important business operations while paying attention to separation of supervision and execution, and at the Audit & Supervisory Board, Audit & Supervisory Board members discuss and make decisions regarding key matters pertaining to audits. This system is designed to ensure soundness and efficiency of operations by enhancing effectiveness of monitoring of business operation through the involvement of highly independent outside directors and outside Audit & Supervisory Board members.

At SUBARU, in order to enhance the practical governance structure based on our present organizational design, we have established two voluntary meetings: the Governance and Executive Nomination Meeting (consisting of five directors, of which three are independent outside directors) and the Executive Compensation Meeting (also consisting of five directors, of which three are independent outside directors).

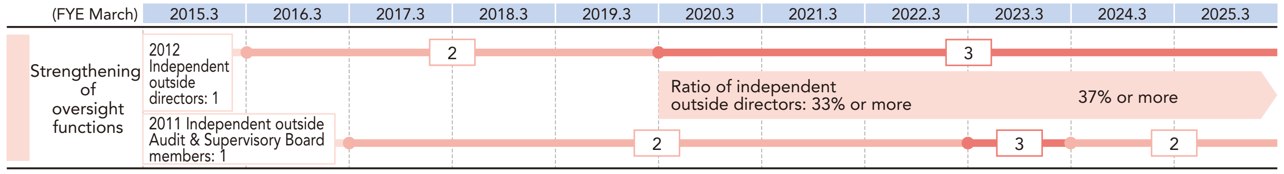
Regarding the system for the execution of business operations, we employ an executive officer system to delegate the business execution authorities of directors to corporate vice presidents so as to clearly separate management decision-making and oversight from business execution thus increase the speed of decision-making.



As a recent initiative, based on the results of the evaluation of the Board of Directors' effectiveness, we revised the rules of the Board of Directors to raise the threshold for matters requiring Board deliberation, with the aim of further expanding the time allocated for deliberation at Board meetings. Furthermore, to strengthen discussions on overall governance, we renamed the Executive Nomination Meeting the Governance and Executive Nomination Meeting. In addition, to enhance the objectivity and transparency of executive nominations and compensation, we added one outside Audit & Supervisory Board member as an observer to both the Governance and Executive Nomination Meeting and the Executive Compensation Meeting.

Board of Directors

The Board of Directors ensures fairness and transparency by performing the oversight function for overall management and makes the best decisions possible for the Company through appointment, evaluation and resolution regarding the compensation of its CEO and other management team members, the assessment of material risks faced by the Company and the development of measures to deal with such risks, and decisions on the execution of important business of the Company. The Board takes these actions in the interest of effective corporate governance, as well as sustainable growth and improvement of corporate value over the medium to long term.



<Overview of Activities for FYE March 2025>

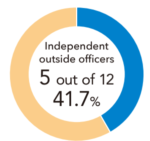
The Board of Directors is composed of eight directors, including three highly independent outside directors. In FYE March 2025, it held 13 meetings,* with Tomomi Nakamura, Chairman of the Board, presiding.

* In addition to the number of Board of Directors meetings held in the above table, one resolution was adopted in writing that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.

<Main Items Deliberated>

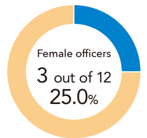
- Determination of candidates for directors and Audit & Supervisory Board members, as well as the CEO and other members of the management team
- Matters pertaining to repurchase and cancellation of own shares
- Revision of the executive compensation system and the policy for determining details of the compensation for individual directors, and determination of delegating matters regarding the determination of compensation for individual directors and executive officers based on the executive compensation system to the Executive Compensation Meeting
- Discussions on reports related to medium- and long-term management issues, including the electrification strategy, IR/SR activities, the Sustainability Committee, and the Risk Management and Compliance Committee, etc.

Ratio of Independent Outside Officers on the Board of Directors



The ratio of independent outside directors on the Board of Directors is 37.5% (3 out of 8).

Ratio of Female Directors



The ratio of female directors is 12.5% (1 out of 8).

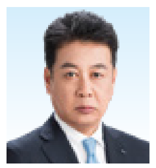
Directors


Atsushi Osaki
Representative Director, President and CEO
Tenure: 4 years
Number of shares held: 40,133 shares


Fumiaki Hayata
Representative Director, Executive Vice President, CRMO
Tenure: 4 years
Number of shares held: 23,743 shares


Tomomi Nakamura
Director, Chairman
Tenure: 7 years
Number of shares held: 57,961 shares


Tetsuo Fujinuki
Director, Senior Managing Executive Officer, CTO
Tenure: 2 years
Number of shares held: 21,165 shares


Shinsuke Toda
Director, Managing Executive Officer, CFO
Tenure: Newly appointed
Number of shares held: 5,546 shares


Miwako Doi
Independent Outside Director
Tenure: 5 years
Number of shares held: 400 shares


Fuminao Hachiuma
Independent Outside Director
Tenure: 2 years
Number of shares held: 1,000 shares


Shigeru Yamashita
Independent Outside Director
Tenure: 1 year
Number of shares held: 3,000 shares

Audit & Supervisory Board Members


Hiromi Tsutsumi
Standing Audit & Supervisory Board Member
Tenure: 5 years
Number of shares held: 19,056 shares


Jinya Shoji
Standing Audit & Supervisory Board Member
Tenure: Newly appointed
Number of shares held: 19,542 shares


Yuri Furusawa
Independent Outside Audit & Supervisory Board Member
Tenure: 3 years
Number of shares held: 1,100 shares


Yasumasa Masuda
Independent Outside Audit & Supervisory Board Member
Tenure: 2 years
Number of shares held: 0 shares

Initiatives to Enhance the Effectiveness of the Board of Directors

SUBARU provides information and knowledge regarding its business activities that is necessary to oversee the corporate management on an ongoing basis to corporate officers. In addition, to constantly provide its outside officers with information related to its corporate statement, corporate culture, business environment, and other matters, the Company offers opportunities such as operations briefings by business divisions and key business site tours in Japan and abroad for deepening their understanding of the business. It also strives to enhance information sharing and opinion exchange among officers.

<Overview of Activities for FYE March 2025>

Management roundtable discussions

Management roundtable discussions are held approximately once every quarter. All directors and Audit & Supervisory Board members participate, with the discussions serving as a forum for sharing information and exchanging opinions among officers on important management themes. We provide outside officers with detailed information in advance on industry-wide trends, the status of SUBARU's business execution, background necessary for Board resolutions, and topics of interest under a rapidly changing business environment. This careful preparation fosters active and meaningful discussions at Board meetings. In FYE March 2025, three meetings were held.

<Main Discussion Topics>
- Approach to human resources strategy for realizing business strategies
- Progress in discussions on electrification strategy
- Concept of SUBARU's Board of Directors and governance
- Quality improvement initiatives
- Results of the effectiveness evaluation of the Board of Directors

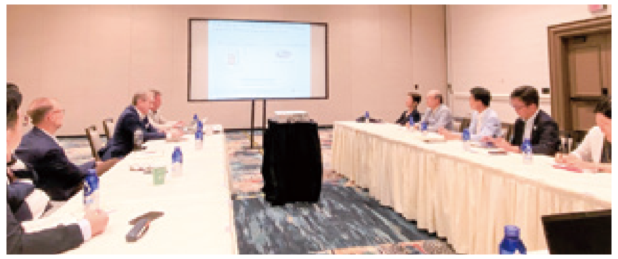
U.S. Site Visits by Outside Directors and Outside Audit & Supervisory Board Members

At the annual U.S. Retailer Convention, we share upcoming product and sales strategies and present certificates of commendation. All outside directors and outside Audit & Supervisory Board members participated in the 2024 convention, which was attended by 2,169 people, experiencing firsthand the strong trust and enthusiasm that local retailers have for the SUBARU brand.

Through dialogue with executives of SOA, the U.S. sales headquarters, they also learned about the background and development of support activities represented by the "Love Promise," deepening their understanding of the strong relationships between SUBARU, its retailers, and customers. In addition, they visited U.S. sites, including SIA, one of our production bases, gaining a multifaceted understanding of U.S. operations across production, quality, and external affairs, which contributes to more constructive discussions at Board meetings.

In addition, SUBARU continuously provides its directors and Audit & Supervisory Board members with the information and knowledge regarding business activities that they need to fulfill their responsibilities to oversee and audit management.

Making a donation to a partner organization at the U.S. Retailer Convention



Dialogue with SOA executives

Executive Officer Training
https://www.subaru.co.jp/en/ir/management/governance/

Message from the Chairman of the Board of Directors

Leveraging our corporate culture that encourages free and open discussions, we work together with outside officers to enhance the effectiveness of the Board of Directors and strengthen corporate governance.

Tomomi Nakamura
Director, Chairman

Free and Open Discussions, a Feature of the Board

Occasionally, directors from other companies ask about our Board of Directors. In response, I explain that the Board fosters a highly free and open environment, with outside officers contributing actively and unreservedly. This openness and transparency is often admired by others.

SUBARU is by no means one of the largest companies in the automotive industry, and simply following the same path as others is not enough to remain competitive. We have faced numerous crises in the past, and each time, the entire Company has come together across divisions to overcome them. We view this as one of the defining characteristics deeply rooted in our corporate culture.

My office is adjacent to those of the President and Executive Vice President, and the doors are generally kept open at all times. We interact with each other on a daily basis, engaging in open and candid exchanges of opinions. As a result, even minor consultations or issues are shared naturally without the need to schedule formal meetings, creating an environment where information flows seamlessly.

In addition, our outside officers possess a deep understanding of B2C business and a precise grasp of the complexities unique to the automotive industry. Accordingly, while we provide outside officers with frequent and detailed information, they maintain an appropriate distance by focusing on monitoring well-considered proposals for execution.

The absence of barriers between internal and outside officers, between directors and Audit & Supervisory Board members, and between supervision and execution fosters natural, open exchanges of opinions and mutual understanding. We believe that this approach to the Board of Directors, deeply rooted in SUBARU's corporate culture, is a major strength and an important foundation for our sustainable growth going forward.

Initiatives in FYE March 2025 Focused on Enhancing Board Effectiveness

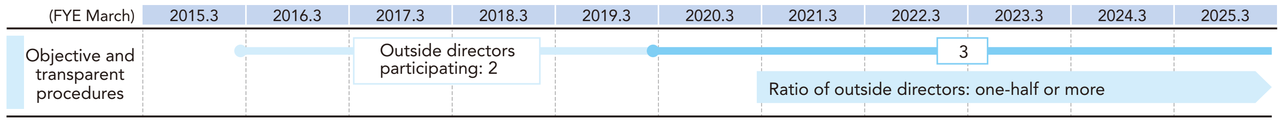
In FYE March 2025, we focused on addressing the key issue identified in the previous year's effectiveness evaluation of the Board: further bolstering the support system for outside directors. In particular, we prioritized timely information sharing, using occasions such as after Board meetings to provide information quickly and accurately. For example, following the April Board meeting, we promptly shared information on management's response to the additional U.S. tariffs implemented that month.

Moreover, requests from outside officers are handled earnestly, with the Board of Directors Secretariat ensuring a sincere and prompt response. I personally oversee the process, striving to provide feedback whenever possible before the next Board meeting. Outside officers have highly praised the process, noting its promptness and careful attention to each matter, and we are confident in the quality of our feedback system.

Enhancing the effectiveness of the Board requires bridging the information and perspective gaps between internal and outside officers. We are confident that these ongoing efforts will ultimately lead to an improvement in the quality of governance.

Governance and Executive Nomination Meeting

To ensure the fairness and transparency of decisions on executive appointment, and based on ample deliberation by its membership, a majority of which is independent outside directors, this meeting submits proposals to the Board of Directors regarding policies for the composition of the Board of Directors, the appointment or dismissal of the CEO and other top management members, and the nomination of candidates for directors and corporate Audit & Supervisory Board members. It also determines and makes proposals for appointment, dismissal, and nomination for the same.



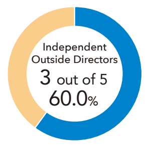
<Overview of Activities for FYE March 2025>

The Executive Nomination Meeting* is composed of three highly independent outside directors (Miwako Doi, Fuminao Hachiuma, and Shigeru Yamashita) and two internal directors (Tomomi Nakamura and Atsushi Osaki). In FYE March 2025, it was held six times, with Tomomi Nakamura, Chairman of the Board, presiding.

<Main Items Deliberated>

- Development of CEO and other executive human resources through discussions of respective succession plans, implementation of 360-degree evaluations of executives, the skills matrix for executives, and other means
- Improvement of transparency of the officer evaluation process by sharing their performance results
- Deliberations regarding the Company's officer structure, personnel matters, the division of duties as well as executive appointment proposals for major subsidiaries, and others

Ratio of Independent Outside Directors on the Executive Nomination Meeting



* At the Board of Directors meeting held on May 20, 2025, it was resolved to rename the Executive Nomination Meeting the Governance and Executive Nomination Meeting to strengthen discussions on overall governance. At the same time, in order to enhance the objectivity and transparency of this meeting, one outside Audit & Supervisory Board member was added as an observer.

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 Governance and 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 the Governance 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 the Governance and Executive Nomination Meeting, it is important to establish a clear vision of the ideal CEO, which serves as a reference point for outside directors and others in their decision-making. 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 the Governance 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- 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

Director and Audit & Supervisory Board Member Skills for Sustainable Growth

In order to further strengthen and improve the effectiveness of the Board of Directors' supervisory function, each year the Governance and Executive Nomination Meeting deliberates regarding a review of the skills that the Board of Directors should possess, taking into consideration the environment in which the Company is operating.

We have selected "business management (executive experience)," "promotion of business strategies," and "strengthening of management infrastructure" as the three skill areas that the Board of Directors should possess in order to overcome this once-in-a-century period of transformation in the automotive industry and achieve sustainable growth beyond it. Furthermore, we have identified the specialized skills required to effectively advance "promotion of business strategies" and "strengthening of management infrastructure." Against this skill foundation, the Board of Directors monitors the steady execution of "Monozukuri Innovation" and "Value Creation," as set forth in the policies under the New Management Policy announced in August 2023.

Director/Audit & Supervisory Board Member Skills Matrix

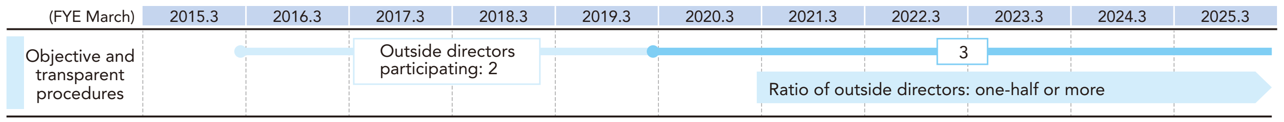
Background for skill selection	Three Skill Areas	Required Specialized Skills
Overcoming a once-in-a-century period of transformation / Achieving sustainable growth	Experience, insight, and leadership required for making important strategic decisions	Business management (executive experience)
	Promotion of business strategies: Accelerate responses to major transformation	Technology/development
		Manufacturing/purchase
		Sales/marketing
		Global
		IT/digital
	Strengthening of management infrastructure: Support the Company's sustainable growth	Human capital/labor
		Business administration/financial affairs/accounting
		Legal affairs/compliance/risk management

	Name	Title at the Company	Business management (executive experience)	Promotion of business strategies: Technology/ development	Manufacturing/ purchase	Sales/ marketing	Global	IT/ digital	Strengthening of management infrastructure: Human capital/ labor	Business administration/ financial affairs/ accounting	Legal affairs/ compliance/risk management
Directors	Atsushi Osaki	Representative Director, President (CEO)	●	●	●				●	●	●
	Fumiaki Hayata	Representative Director, Executive Vice President (CRMO)			●	●	●			●	
	Tomomi Nakamura	Director, Chairman	●			●	●		●	●	
	Tetsuo Fujinuki	Director, Senior Managing Executive Officer (CTO)		●				●			
	Shinsuke Toda	Director, Managing Executive Officer (CFO)				●	●			●	
	Miwako Doi	Independent Outside Director		●				●			●
	Fuminao Hachiuma	Independent Outside Director	●			●	●		●	●	
	Shigeru Yamashita	Independent Outside Director	●			●	●		●	●	
Audit & Supervisory Board Members	Hiromi Tsutsumi	Standing Audit & Supervisory Board Member				●			●		
	Jinya Shoji	Standing Audit & Supervisory Board Member				●	●		●	●	
	Yuri Furusawa	Independent Outside Audit & Supervisory Board Member					●		●		●
	Yasumasa Masuda	Independent Outside Audit & Supervisory Board Member					●			●	

Note: The list above does not cover the entire scope of knowledge held by the directors and Audit & Supervisory Board members.

Executive Compensation Meeting

To ensure objectivity and transparency in decisions on compensation for directors, the Executive Compensation Meeting, as a voluntary meeting and on the basis of delegation by the Board of Directors, determines individual compensation amounts per director and other issues after ample deliberation. Where matters concern the executive compensation system in general, such as its revision, the Board of Directors deliberates on proposals approved by the Executive Compensation Meeting and decides on them by resolution.



<Overview of Activities for FYE March 2025>

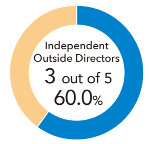
The Executive Compensation Meeting is composed of three highly independent outside directors (Miwako Doi, Fuminao Hachiuma, and Shigeru Yamashita) and two internal directors (Tomomi Nakamura and Atsushi Osaki).*
In FYE March 2025, it was held five times, with Tomomi Nakamura, Chairman of the Board, presiding.

<Main Items Deliberated>

· Consideration of executive compensation levels using external survey data, incentive design, etc.
· Determination of individual performance-linked compensation amounts for directors (excluding outside directors) and executive officers based on their evaluations
· Determination of individual base amounts, etc. for restricted stock compensation

* From FYE March 2026, one outside Audit & Supervisory Board member was added as an observer to enhance the objectivity and transparency of this meeting.

Ratio of Independent Outside Directors on the Executive Compensation Meeting



Executive Compensation System

Overview of Executive Compensation System

Basic compensation

Directors and executive officers receive the Fixed Monetary Compensation monthly as basic compensation. The amount for individual executive officers is determined based on their positions, taking into consideration elements such as the business environment.

Annual Performance-Linked Bonuses (Short-Term Incentive)

We have set up a compensation table more closely linking compensation to annual performance the higher the rank, based on the KPI of consolidated profit before tax for the fiscal year under review. Based on this table, cash compensation is paid at a certain time of each year. For senior managing executive officers, managing executive officers, and executive officers, specific amounts will be determined after taking into consideration annual performance and level of contribution to human resource development. Such compensation will not be paid to outside directors.

Restricted Stock Compensation (Medium-and Long-Term Incentive)

- Fixed compensation-type RS: Shares of the Company's common stock are granted at a certain time each year at an amount equivalent to a base amount determined in consideration of the Company's business performance, responsibilities of each director and executive officer, and other factors.
- Variable compensation-type restricted stock compensation (PSUs): Units (one unit = one share) are granted at a certain time each year at an amount equivalent to a base amount determined in consideration of the Company's business performance, responsibilities of each director and executive officer, and other factors. After an evaluation period, shares of the Company's common stock are granted at an amount equivalent to the number of units multiplied by a payout ratio determined in accordance with achievement levels for each performance indicator target.

Restricted stock compensation cannot be transferred while in office, and the transfer restrictions are lifted upon resignation. Such compensation will not be paid to outside directors. In addition, in the event that a Director engages in certain acts of misconduct and/or certain events occur by the day on which three years elapse after the expiration of the restricted transfer period, the Board of Directors, based on a resolution taking into account the deliberation and decision at the Executive Compensation Meeting, may demand the director return all or part of the said shares in common stock or pay the equivalent fair value of the said shares (clawback).

Breakdown of Director Compensation by Type

The Company shall appropriately determine the proportion of compensation by type for directors, excluding outside directors, in reference to the compensation levels and compensation mix of companies of a similar scale to the Company or industry peers obtained through an external research company, and in consideration of factors such as the Company's overall salary level and social situations. The following proportions are used as general benchmarks.

	Breakdown				Rate	
	Basic compensation	Annual performance-linked bonuses	Restricted stock compensation		President	Average for directors other than the president
			PSU	RS		
Fixed monetary compensation	●				1	1
Performance-linked compensation		●	●		1	0.9
Non-monetary compensation			●	●	0.7	0.6

Compensation System for Directors (Representative Director, President and CEO)

	Fixed portion	Short-term incentives	Medium- and long-term incentives	
			Restricted stock compensation	
	Basic compensation	Annual performance-linked bonuses	Variable compensation type (PSU)	Fixed compensation type (RS)
Composition*	1	0.5	0.5	0.2

* The ratio of annual performance-linked bonuses and restricted stock compensation (variable/fixed compensation types) are indexed to a basic compensation of 1.

The Company appropriately reviews the compensation level and compensation mix in consideration of the Company's business environment, as well as the situation of companies of a similar scale to the Company or industry peers, and other circumstances based on reports from the Executive Compensation Meeting.

Matters Concerning the Policy for Determining Details of Compensation for Individual Directors

To ensure fairness and transparency in the process of determining executive compensation, the Executive Compensation Meeting consists of a majority of independent outside directors. In addition, from FYE March 2026, one outside Audit & Supervisory Board member has been added as an observer.

The Executive Compensation Meeting, by a resolution by the General Meeting of Shareholders and the Board of Directors, delegated authority by the Board of Directors to determine specific amounts of basic compensation, annual performance- linked bonus, restricted stock compensation, etc. for Directors, and their payment schedule, following sufficient deliberation by its members including independent outside directors. For restricted stock units, the number of shares allotted to individual directors is determined by the resolution of the Board of Directors based on the standard amount decided by the Executive Compensation Meeting.

With regard to revisions of the executive compensation system and other matters pertaining to compensation overall, the Board of Directors deliberates and makes decision taking into consideration the content of proposal approved by the Executive Compensation Meeting.

Matters Concerning Performance-linked Compensation, in FYE March 2025

The Executive Compensation Meeting, delegated by the Board of Directors, determines the annual performance-linked compensation to be paid to each director by setting a compensation table that is more closely linked to annual performance the higher the rank, based on actual pre-tax income for FYE March 2025. The following shows the amount of the annual performance-linked bonuses for FYE March 2025 and the actual results related to the KPIs used for PSUs.

Performance indicator (KPI)	Results
Consolidated profit before tax	448.5 billion yen
ROE	12.8%
Relative TSR (Compared to the TOPIX growth rate including dividends)	86.4%
Employee engagement score improvement points	+2 points

Total Compensation for Directors and Audit & Supervisory Board Members for FYE March 2025

(Millions of yen)

Category		Basic compensation (Paid in fixed monthly installments)	Annual performance-linked bonuses	Restricted stock compensation		Total
				PSU	RS	
Directors: 9	Internal directors: 5	230	260	61	61	612
	Outside directors: 4	39	—	—	—	39
Audit & Supervisory Board Members: 4	Internal Audit & Supervisory Board members: 2	71	—	—	—	71
	Outside Audit & Supervisory Board members: 2	26	—	—	—	26
Total: 13		366	260	61	61	748

1. Figures in the above table include one outside director who resigned before the last day of FYE March 2025. At the end of FYE March 2025, there were eight directors, including three outside directors, and four Audit & Supervisory Board members, including two outside Audit & Supervisory Board members.
2. Total amounts in the above table represent the amounts recorded as expenses at the end of FYE March 2025 and include contingent compensation (such as PSUs and phantom stock granted to non-residents in Japan).
3. The amounts for PSUs and phantom stock are calculated based on the closing price of the Company's common stock on the Tokyo Stock Exchange Prime Market as of March 31, 2025, and the stock price at the time of grant will be applied for the actual payment.

Auditing by Audit & Supervisory Board Members

In addition to attending important meetings such as the Board of Directors, the Company's Audit & Supervisory Board members engage in activities that include exchanging opinions with executive officers and communicating individually with the directors and Audit & Supervisory Board members of Group companies. Through these efforts, they gather extensive information on business execution, including the development and operational status of internal controls across the Group, as well as verify their effectiveness. Additionally, necessary advice and recommendations are provided based on the observations obtained from these audit activities.

<Overview of Activities in FYE March 2025>

Major Activities of the Audit & Supervisory Board Members

- **Confirming management monitoring and execution**
  Each Audit & Supervisory Board member attended important meetings, including those of the Board of Directors, Executive Management Board Meeting, and Risk Management and Compliance Committee. When in attendance, they monitored management decision-making processes, sought explanations as necessary (including through opportunities other than those meetings), and actively expressed their opinions.
- **Communication with directors, executive officers, and others, and confirmation of internal control status at various business establishments, including Group companies**
  Through exchanges of opinions with directors, executive officers, and others, as well as visits to and inspections of major business establishments and Group companies, and collaboration with the directors and corporate auditors of Group companies, the corporate auditors confirmed the status of business execution, including the development and operation of the Group's internal controls. Through regular meetings with the Legal Department, Risk Management and Compliance Office, and Internal Audit Department, they confirmed the status of risk management practices across the Group.
- **Cooperation in the three-party audit system**
  Audit & Supervisory Board members conducted regular reporting sessions with the Internal Audit Department and accounting auditors, facilitating information sharing and exchanges of opinions that fostered close cooperation in the three-party audit system. By implementing coordinated audit activities, they carried out mutual verification of the effectiveness of internal controls across the Group.

Audit & Supervisory Board Number of Meetings Held: 12

The Audit & Supervisory Board is composed of four members, including two highly independent outside members, and was chaired by Standing Audit & Supervisory Board Member Yoichi Kato.

Independent Outside Audit & Supervisory Board Member

Yuri Furusawa Appointed June 2022	Ms. Yuri Furusawa has held key positions in the Ministry of Land, Infrastructure, Transport and Tourism, and has been involved in the promotion of workstyle reform, active participation by women and diversity in the Cabinet Secretariat. She also has experience in overseas business development in the private sector, giving her a broad perspective and a high level of insight. Significant concurrent position: Outside Director, Kubota Corporation
Yasumasa Masuda Appointed June 2023	Mr. Yasumasa Masuda has served as CFO at Astellas Pharma Inc. and has deep insight in overall management with focus on financing and accounting. He has also served as Independent Non-Executive at Deloitte Tohmatsu LLC and Outside Director and Chairman of the Audit Committee at Olympus Corporation, giving him a broad perspective and a high level of insight.

<Main Resolutions and Deliberations>

(Main Resolutions)
· Audit policy, audit plan, and allocation of audit responsibilities for the fiscal year
· Consent to agenda items for the General Meeting of Shareholders (appointment of Audit & Supervisory Board members)
· Preparation of audit reports
· Evaluation, appointment, and dismissal of accounting auditors
· Consent to the audit fee for the accounting auditor

(Main matters for reporting and sharing)
· Reports on the results of visiting audit of the Company's business establishments and affiliated companies as well as observations
· Sharing of information regarding important matters of the Company's Executive Management Board Meeting, Executive Meeting, etc. by Standing Audit & Supervisory Board Member with outside Audit & Supervisory Board Members
· Reports from the responsible departments on risk management issues internally and in the industry that require special care from a preventive audit perspective

Opinions of individual Audit & Supervisory Board members expressed at the meeting of Audit & Supervisory Board are presented to involved officers, etc. as needed to assist them in forming appropriate executive decisions.

Internal Audit, Internal Control, and Internal Control Related to Financial Reporting
https://www.subaru.co.jp/en/ir/management/governance/

Dialogue with Shareholders and Investors

SUBARU strives to build long-term relationships of trust with our shareholders, investors, and analysts through constructive dialogue in order to contribute to sustainable growth and medium to long-term enhancement of corporate value. We will deepen mutual understanding through proactive dialogue, such as financial results briefings by the CEO and CFO and overseas presentation events (North America, Europe, and Asia), as well as business and technology briefings by management, and regularly report the content of dialogue with shareholders and investors and issues raised to the Board of Directors and relevant departments for further disclosure and enhanced dialogue.

<FYE March 2025 Dialogue Results>

Results of Dialogue with Shareholders and Investors

Dialogue events	FYE March 2024	FYE March 2025	Major participants*
Financial results briefings	4 times	4 times	President and CEO; Executive Vice President; Senior Managing Executive Officer and CFO; Senior Managing Executive Officer and Chief General Manager of Corporate Planning Division
Small meetings	9 times	6 times	President and CEO; Executive Vice President; Senior Managing Executive Officer and CFO; Managing Executive Officer in charge of Investor Relations
Securities houses' conferences	6 times	8 times	Senior Managing Executive Officer and CFO; Managing Executive Officer in charge of Investor Relations; Investor Relations Department members
Product/technical briefings, factory tours	3 times	6 times	President and CEO; Senior Managing Executive Officer and CTO; Managing Executive Officer, Chief General Manager of the Engineering Division and Chief General Manager of the Technical Research Center; Managing Executive Officer, Chief General Manager of the Monozukuri Division and Gunma Plant; Engineering Division, Product Business Division, Monozukuri Division, Investor Relations Department members, etc.

Individual dialogue	FYE March 2024	FYE March 2025	Major participants*
Dialogue with investors/shareholders (of which, dialogue with overseas investors/shareholders)	211 times (114 times)	248 times (176 times)	President and CEO; Senior Managing Executive Officer and CFO; Managing Executive Officer in charge of Investor Relations; Investor Relations Department members, etc.
Dialogue with analysts	87 times	87 times	Managing Executive Officer in charge of Investor Relations; Investor Relations Department members

* Major participants' positions are as of the event in question.

Major Topics in Dialogue

Business performance-related matters	U.S. market conditions, pricing policies, improvement in productivity, etc.
Initiatives for electrification	The Subaru Difference in BEVs/HEVs, profitability of BEVs/HEVs, outlook of responses to environmental restrictions, amount and timing of investments, etc.
ESG-related matters	Carbon neutrality, human capital management, and further strengthening of governance, etc.
Progress in the New Management Policy	
Optimum fund level and shareholder returns	

Providing Feedback Internally

Feedback gathered through dialogues, including shareholders' and investors' opinions and requests, is regularly and appropriately reported to management and relevant executive officers in major meetings, and, based on the content, subsequently reported to the Board of Directors.

Providing Feedback to Management	Times held	Description
Implementation reports on overseas presentation events	3	Reports on interests, opinions, requests, etc. of overseas institutional investors as well as the direction of future IR activities Reports on the trend of revisions to criteria for exercising voting rights as well as opinions, requests, etc. to the Company from ESG perspectives
Reports on shareholder relations (SR) engagement activities	1	Reports on major topics in IR activities, including institutional investor trends and stock price
Reports on quarterly investor relations (IR) activity status	4	Reports on shareholder voting outcome analyses
Reports on general meetings of shareholders voting rights exercise results analyses	1	Reports on shareholder composition and institutional investors' shareholding trends
Other	As required	Periodic reports on shareholder composition and institutional investor holdings, as appropriate

Roundtable Discussion with Outside Directors

We carry out objective monitoring in rapidly changing business environments to support the sustainable growth of the SUBARU Group.

Fuminao Hachiuma
Independent Outside Director

Miwako Doi
Independent Outside Director

Shigeru Yamashita
Independent Outside Director

Amid what is being called a once-in-a-century transformation of the automotive industry, and influenced by factors such as U.S. tariff policies, the business environment surrounding SUBARU has become increasingly uncertain. Three outside directors, each with extensive knowledge and experience in corporate management, discussed specific initiatives and challenges aimed at enhancing the effectiveness of the Board of Directors, strengthening corporate governance, developing human resources, and increasing corporate value, taking into account structural changes in the industry, including electrification, and a complex and evolving business environment.

Reflections on tenure as outside directors and on SUBARU's distinctive characteristics

Looking back on your tenure, how do you view the attributes of the Company and the Board of Directors?

Doi: I am now in my sixth year as an outside director, and at the time of my appointment, it was right in the midst of the COVID-19 pandemic. I believe one of the Company's strengths is its ability to respond as a united team, from top management to the front lines, in the face of difficult situations. The processes from procurement through manufacturing and logistics to delivering products to our customers are long and complex. Nonetheless, strong cross-functional collaboration ensures effective responses throughout.

I also deeply appreciate the Company's commitment to sharing information openly with outside directors and outside Audit & Supervisory Board members, even in critical situations.

Hachiuma: I am in my third year as an outside director, having begun my duties at the same time as President Osaki assumed office. In addition to the industry's transition toward electrification and recent external changes, such as the U.S. imposition of additional tariffs, I feel that, although SUBARU is a company with Audit & Supervisory Board, management is strongly aware of and actively implementing the separation of oversight and execution required by Japan's Corporate Governance Code—for example, by separating the roles of Board Chair and top executives.

Yamashita: I am in my second year as an outside director. Immediately after my appointment, I spent about two months receiving detailed, direct explanations from department heads about their operations and challenges, while also actively visiting each plant of both the Automotive Business Unit and the Aerospace Company. By observing operations firsthand and receiving thorough explanations from department heads, I was able to deepen my understanding of the Company's overall business.

Miwako Doi
Appointed June 2020

As a researcher and supervisor in the field of information technology at Toshiba Corporation, Ms. Miwako Doi has accumulated vast experience and made many achievements in this field over many years. In addition, she has been appointed to governmental advisory bodies, owing to her high level of expertise and extensive experience and knowledge. She also provides valuable recommendations regarding the creation of new innovations in the Company's management, technology development, and IT risks.

Significant concurrent position: Auditor, National Institute of Information and Communications Technology (NICT) (part-time)
Outside Director, NGK Spark Plug Co., Ltd.

The Board of Directors consists of eight members, giving the impression of a compact structure relative to the size of the Company. I feel that communication is highly transparent and discussions are conducted openly.

Doi: As members of the Board of Directors, we are expected to monitor business execution appropriately and ensure that the Company stays on the right course. On the other hand, it is not enough for outside directors to simply observe from a third-party perspective without offering solutions. At the Company, constructive discussions are held through the exchange of opinions among internal and outside directors, as well as between directors and Audit & Supervisory Board members.

Hachiuma: I believe this is one of the defining characteristics of SUBARU's Board of Directors. The Audit & Supervisory Board members also demonstrate a strong sense of responsibility and high engagement, and constructive, spirited discussions take place not only at the Board of Directors but also in committees such as the Risk Management and Compliance Committee. While both parties share the same goals, it is natural that differences in roles and perspectives lead to varying viewpoints. It is highly positive that healthy discussions are conducted from such diverse perspectives.

Yamashita: Exactly. In addition to Board of Directors meetings, we also hold lunch meetings with the Audit & Supervisory Board members. The discussions are so lively and participants exchange ideas so actively that one hour is never enough. Constructive discussions take place through the free exchange of opinions, making these sessions extremely valuable.

Initiatives to enhance the effectiveness of the Board of Directors

Please share your thoughts and opinions on the initiatives for FYE March 2025 aimed at further enhancing the effectiveness of the Board of Directors.

Hachiuma: As the pace of business execution accelerates, a key challenge is bridging the information gap between internal and outside parties. Prior briefings for the Board of Directors, together with management roundtable discussions, play a vital role in this regard.

Yamashita: Employee engagement was also a topic at the management roundtable discussions. Although the score increased by two points in 2024, it remains below a satisfactory level.

In response, the Human Resources Department has taken action, including training for all managers and managerial candidates, totaling approximately 4,000 participants. I was very interested, so I also attended the training as an observer. While the content was valuable, the opportunity to see operations on site firsthand greatly helps bridge the information gap, and I hope to continue this practice in the future.

Doi: We also held individual meetings between the outside directors and the President, during which I exchanged views on topics centered on promoting female participation. While I had frequent opportunities to speak with the President in meetings, there had been few chances for in-depth one-on-one discussions, making this a particularly valuable experience. The conversation was so engaging that it lasted well over an hour.

Yamashita: After every Board meeting, we always receive additional briefings on recent business execution. I have heard that, at some companies, the opinions of outside directors are not given much weight, but that is not the case at SUBARU. Management listens carefully—not just hearing us out, but following up with concrete actions—which I find extremely positive.

Doi: Last year, I visited major sites in the United States, including manufacturing and sales locations, as well as the retailer convention held in Las Vegas.

Seeing the operations firsthand allowed me to experience the strong passion behind initiatives such as Love Promise and to appreciate the strength of the SUBARU brand in the U.S. market. It was an extremely meaningful experience.

Hachiuma: Indeed, the level of passion there is truly overwhelming. While we undertake various initiatives, some aspects can still be difficult to fully grasp. In such cases, we receive direct explanations from the executives, and having open access to on-site operations further deepens our understanding through communication with people on the ground. I believe the support system, led by the Board of Directors Secretariat, is well established and provides a strong foundation for understanding.

Fuminao Hachiuma
Appointed June 2023

Mr. Fuminao Hachiuma has abundant experience and insights acquired through his involvement in management in a broad range of fields including overseas business at Ajinomoto Co., Inc. and its group companies as well as promotion of strengthening of corporate governance and management reform of J-OIL MILLS, INC. as Representative Director and President. He also provides constructive recommendations on the Company's overall management and global governance.
Significant concurrent position: Outside Director, Seven & i Holdings Co., Ltd.
Outside Audit & Supervisory Board Member, YKK AP Inc.

Although off-site meetings and the support framework are strong, more can still be done to make the most of limited opportunities and extend discussion time amid rapidly changing business conditions. One step in this regard—revising the rules of the Board of Directors and raising the threshold for matters requiring Board deliberation—will help ensure more time for deliberation and discussion at the Board, and I look forward to seeing its impact in the future.

Please share this year's initiatives aimed at further strengthening the function of the Executive Nomination Meeting.

Doi: Restructuring the Executive Nomination Meeting as the Governance and Executive Nomination Meeting represented a significant change. Even individual and detailed issues that were difficult to address under the previous format can now be discussed in depth within this new framework.
Hachiuma: I understand that with the addition of "Governance," the meeting's role as a forum for discussing the Company's governance structure has been strengthened. This is not merely a matter of system design, but an important issue that is deeply connected to the organization and its human resources. It is also closely related to the perspective of human capital.
Doi: In the past, it was common to formulate a medium-term management plan and then appoint executives to drive the business in line with that plan. However, today the pace of environmental change is extremely rapid, making it difficult to advance the business strictly according to the medium-term management plan. Within this context, I hope to engage in in-depth discussions on human resources at the Governance and Executive Nomination Meeting, guided by the SUBARU Group's vision and value statement.
Hachiuma: At the Executive Nomination Meeting, discussions cover not only the succession plan but also future human resource allocation and development plans. There have even been cases of bold and strategic cross-functional rotations that go beyond conventional frameworks. I see this as a strong demonstration of the Company's commitment to developing its management team. I also view the establishment of a CHRO, aimed at creating sustainable corporate competitiveness, as a strong statement of the Company's commitment to seriously addressing this area.
Doi: Human resource allocation and governance are closely linked. As a member of the Executive Nomination Meeting, I feel a greater sense of reassurance with the addition of topics related to governance. Not only at the Board of Directors, but also in this additional forum, we now have a venue to hold meaningful, effective discussions, and I am grateful for this structural change.
Hachiuma: We have also recently made a change to allow an outside Audit & Supervisory Board member to participate as an observer. We expect this will enable discussions from an even more diverse range of perspectives.

What role should the Board of Directors play in the automotive industry's uncertain business environment?

Yamashita: In a rapidly changing environment where the right course of action is often unclear, companies are still required to make investment decisions. Delaying decisions can sometimes pose an even greater risk, so it is essential to make them while maintaining proper accountability. As an outside director, it is necessary to face risks while reviewing factors such as investment payback periods and internal rates of return (IRR). I am also a shareholder myself. If I am not convinced myself, I cannot properly explain matters to shareholders, so I raise these points for discussion.
Hachiuma: Amid increasingly large fluctuations in the business environment, it is extremely important for the Company to carefully determine its strategic direction. To do so, I feel that introspective discussions are necessary, including redefining the essence of what makes SUBARU unique.

We evaluate the impact and likelihood of risks using a risk map. The Board of Directors decides on major risks, while the executive divisions manage the others. As an outside director, I am able to raise points precisely because of my external perspective, and I believe this perspective makes a meaningful contribution to discussions.

I also recognize that, as the direction of electrification becomes clearer, a key future challenge will be managing the uncertainty over whether the related investments will genuinely yield returns.

On SUBARU's sustainable growth and enhancement of corporate value

From an objective standpoint, what factors do you believe will enable SUBARU to remain competitive going forward?

Doi: In the New Management Policy announced in August 2023, we shared an update on our electrification plans. At that time, however, CTO Fujinuki's statements and expressions during Board meetings suggested he was grappling with how to preserve the essence of the Subaru Difference in BEV development. However, at a certain point, I sensed that CTO Fujinuki and the members of the engineering units began to gain confidence in their ability to develop BEVs that preserve the essence of the Subaru Difference. I believe that this very confidence serves as a solid foundation for continuing to uphold the core of the SUBARU brand: "Enjoyment and Peace of Mind."
Hachiuma: During the COVID-19 pandemic, it was often said that challenges reveal true strength. I, however, believe that facing strong challenges can also help build and strengthen that resilience. Looking back on its history, SUBARU has overcome numerous challenges, and the management team, drawing on that experience and confidence, continues to support the Company today. Another strength of SUBARU is its large and loyal fan base, particularly in North America and other key regions. I believe that by continuing to meet the expectations of its fans, even in challenging external environments, SUBARU can grow into an even stronger company.
Yamashita: When I watched the SUPER GT races at Fuji Speedway, where SUBARU fields cars, I was truly amazed by the large number of SUBARU fans in the stands. I was able to experience the fans' passion firsthand, which I found extremely encouraging. It is essential to develop products that do not disappoint such devoted supporters, and it is the employees on the front lines who make this possible.
For this reason, I strongly believe it is crucial to create an environment where employees can take pride in working for SUBARU and find fulfillment in their work.

Shigeru Yamashita
Appointed June 2024

Mr. Shigeru Yamashita has abundant experience and insight acquired through his involvement in management in a broad range of fields including overseas operations at Pigeon Corporation and its group companies and, once he was appointed the representative director of the company, he strived to promote management reform, strengthen corporate governance, and led initiatives for maximizing corporate values. He also provides valuable insights on SUBARU's overall management, as well as on safety and corporate culture, drawing on his deep understanding of corporate social responsibility.
Significant concurrent positions: None

Finally, please share a message for our stakeholders.

Doi: I believe that SUBARU is steadily overcoming the technical challenges necessary to deliver "Enjoyment and Peace of Mind," which serve as the foundation of trust for our customers, employees, investors, and other stakeholders. As a human interface specialist, I believe I can contribute to enhancing customer satisfaction and creating a work environment in which employees can thrive. As an outside director, I am committed to fully supporting these initiatives.
Hachiuma: As a manufacturer with such strong brand power, I believe it is important to consider how we can further enhance this strength going forward. To this end, I will closely monitor whether initiatives such as "Monozukuri Innovation" and "Value Creation" are advancing in a consistent and aligned direction. Even amid challenging circumstances, the executive team has responded boldly and without hesitation, and I have great respect for this approach. From the perspective of an outside director, I will continue to approach my role earnestly, ensuring that management decisions are sound and well-founded.
Yamashita: I believe the role of the Board of Directors is to enhance the Company's medium- and long-term corporate value, which consists of two components: social value and economic value. Social value refers to whether SUBARU is an indispensable presence in society, with its technological capabilities and long-standing trust serving as the foundation. It is important to maintain this value even in the BEV era, and SUBARU has already achieved a high level of brand trust in the U.S. market. Economic value is the present value of future cash flows, with the accumulation of know-how and improvements in capital efficiency serving as key factors. At the Board of Directors, we analyze not only profits and losses but also financial indicators, supporting the enhancement of corporate value from both perspectives.

Evaluation Results of the Effectiveness of the Board of Directors

The Board of Directors every year conducts analysis and evaluation on the effectiveness of the Board of Directors ("BoD") in accordance with Article 23 of the Corporate Governance Guideline, and reviews and implements improvement measures for the issues identified.

In FYE March 2025, aiming to apply the results of the evaluations toward enhancing the BoD's functions, the Board confirmed efforts to address issues recognized by FYE March 2024, reorganized the evaluation items on the survey and implemented interviews with certain directors, and assessed and analyzed the reasons and underlying factors behind differences in the recognition of issues. The results of this process are reported below.

Methods of Evaluation and Analysis

Process period and method	December 2024 to February 2025 Self-evaluation questionnaire survey prepared by a third-party body and interviews
Eligible participants	Survey: Directors (8) and Audit & Supervisory Board members (4) for a total of 12 respondents Interviewees: Chair of the BoD, Representative Director and President, Representative Director and Deputy President, and independent outside directors (3) for a total of 6 interviewees
Process	1. Third-party body conducts anonymous self-evaluation questionnaire survey of directors and Audit & Supervisory Board members 2. Third-party body conducts interviews with the chair of the BoD, Representative Director and President, Representative Director and Deputy President, and independent outside directors 3. Third-party body aggregates and analyzes survey responses and interviews 4. BoD verifies and discusses reports received from third-party body
Evaluation items on the survey	(a) BoD roles and functions (b) BoD composition (c) BoD operation (d) BoD support system (e) BoD culture and communication (f) BoD risk management and internal control (g) Executive Nomination Meeting and Executive Compensation Meeting operation (h) Shareholder dialogue (i) Continued BoD improvements

Survey question Items

Evaluation Items	
(a) BoD roles and functions	Recognition of the roles and functions of the BoD
	Delegation of authority to execution
	Reporting system
	Supervision of corporate management
(b) BoD composition	Size of the BoD
	Composition of the BoD (ratio of inside to outside directors)
	Composition of the BoD (diversity and expertise)
(c) BoD operation	Frequency, length, and time allocation of meetings
	Relevance of agenda items
	Timing of proposals and discussions
	Quality and quantity of documents
	Timing of document distribution
	Prior explanation
	Content of explanations and reports
	Discussions by the BoD
	Leadership by the Chair
(d) BoD support system	Environment and systems for the provision of information
	Provision of information to outside officers
	Training of outside officers
	Training of inside officers

Evaluation Items	
(e) BoD culture and communication	Diverse values
	Stakeholder perspectives
	Directors and business divisions
	Inside and outside directors
	Directors and Audit & Supervisory Board members
(f) BoD risk management and internal control	Risk management
	Group governance
	Internal control and compliance
(g) Executive Nomination Meeting and Executive Compensation Meeting operation	
(h) Shareholder dialogue	Supervision of proper disclosure of information to shareholders and investors
	Sharing the views of shareholders and investors
	Enhancing dialogue with shareholders and investors
(i) Continued BoD improvements	Status of improvements based on the previous fiscal year's effectiveness evaluation

Evaluation Results

1. General evaluation

The evaluation confirmed that the Company's BoD is effective in general.

2. Characteristics of the Company's BoD

Item	Outline
BoD conducive to free and open discussion	It has a culture in which the members, irrespective of internal or outside, respect each other and engage in constructive and transparent discussions in an environment with a high degree of psychological safety.
BoD with high awareness of shareholder dialogue	Contents of dialogue with shareholders and investors are fed back to the BoD on a regular basis and it constantly engages in discussions for further enhancing the dialogue.

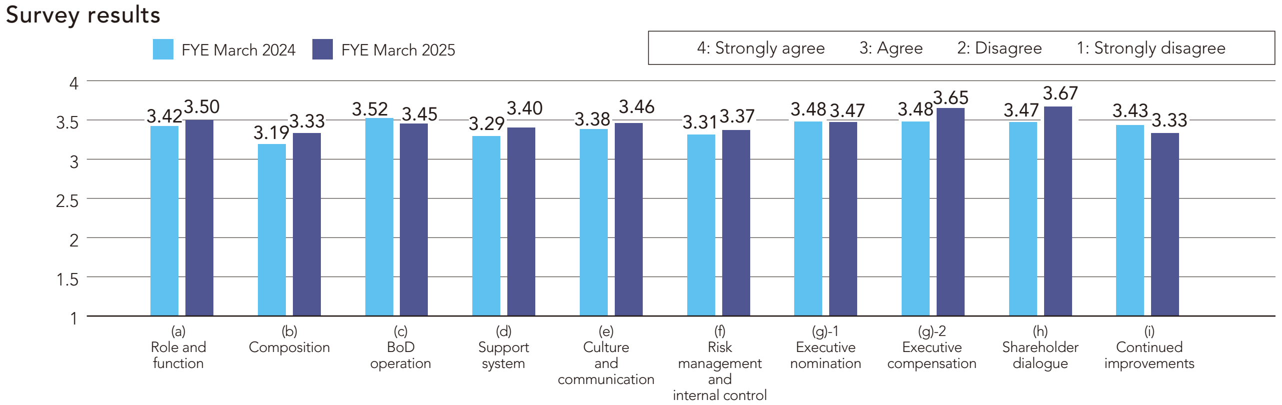
3. Status of responses to issues pointed out in FYE March 2024

Item	Outline	Assessment
Further bolstering the support system for independent outside directors	The Company offered opportunities for outside directors to visit important business bases and other sites to deepen their understanding of the business and grasp market trends. It also worked to enhance opportunities for them to have dialogue with top executives and Audit & Supervisory Board members.	Improvement
Sharing awareness regarding key agenda items related to medium to long-term strategies and the approach to monitoring	There were enhanced discussions as a result of flexible utilization of the Management Roundtable Discussions, which further deepened deliberations regarding the essence of governance. We will further improve agenda setting corresponding to the progress in management strategies among other measures.	Improvements still in progress
Further strengthening of the functions of the Executive Nomination Meeting	The BoD engaged in discussions for further evolving the nurturing and selection process of CEO and other officers. It also began discussing detailed evaluation specifying individuals, indicating steady evolution of the process. The topic for future discussions is the visualization of the full picture of the nurturing plan for CEO as well as other top management and next-generation management layer.	Improvements still in progress

4. Issues discussed and reviewed at the Management Roundtable Discussions in FYE March 2025 to further enhance the effectiveness of the BoD

Item	Outline
Roles required of the BoD in an uncertain business environment	The Company is driving forward the management and business strategies under the banner of "Aiming to become the world's leading company in Monozukuri and Value Creation" to continue to thrive in a competitive landscape in the future by overcoming the once-in-a-century transformation of the automobile industry. The BoD is sought to appropriately monitor the implementation of strategies by the execution side and make appropriate judgment regarding risks. To this end, it needs to increase the time spent on discussions and other such measures to improve the operations of the meeting.
Clarification of roles of various meeting bodies and enhancement of discussions	To enhance the discussion time by utilizing the limited opportunities, we need to redefine the roles of the BoD, Executive Nomination Meeting, Executive Compensation Meeting, and off-site meetings including Management Roundtable Discussions and change the meeting operations to meet that objective and further strengthen sharing of management information, which is the base of discussions, especially for outside officers.
Further strengthening of monitoring framework throughout the Group	Aim to enhance opportunities to discuss strengthening of management structure and monitoring framework that oversee the entire Group.

Survey results



Note: The survey uses a four-point rating scale from 1 to 4.