

Directors, Auditors, and Executive Officers

(As of August 8, 2019)

Directors of the Board



Director of the Board

Yasuyuki Yoshinaga



Representative
Director of the Board

Tomomi Nakamura



Representative
Director of the Board

Kazuo Hosoya



Director of the Board

Toshiaki Okada



Director of the Board

Yoichi Kato



Director of the Board

Tetsuo Onuki



Outside Director

Shigehiro Aoyama



Outside Director

Yasuyuki Abe



Outside Director

Natsunosuke Yago

Auditors



Standing Corporate Auditor

Akira Mabuchi



Standing Corporate Auditor

Shuzo Haimoto



Outside Corporate Auditor

Shigeru Nosaka



Outside Corporate Auditor

Kyoko Okada

Executive Officers

Chairman	Yasuyuki Yoshinaga	
President	Tomomi Nakamura	CEO (Chief Executive Officer)
Deputy President	Kazuo Hosoya	Chief General Manager of Manufacturing Div. and Gunma Plant
Executive Vice President	Toshiaki Okada	CFO (Chief Financial Officer)
Executive Vice President	Yoichi Kato	CRMO (Chief Risk Management Officer)
Executive Vice President	Katsuyuki Mizuma	Chief General Manager of Overseas Sales & Marketing Div. 1 and Overseas Sales & Marketing Div. 2
Executive Vice President	Tetsuo Onuki	CTO (Chief Technology Officer)
Executive Vice President	Atsushi Osaki	CQO (Chief Quality Officer) Chief General Manager of Quality Assurance Div.
Senior Vice President	Hideaki Matsuki	Chief General Manager of Parts & Accessories Div.
Senior Vice President	Hiromi Tsutsumi	General Manager of Human Resources Dept.
Senior Vice President	Shoichiro Tozuka	Company President of Aerospace Company
Senior Vice President	Takuji Dai	CIO (Chief Information Officer) Chief General Manager of IT Strategy Div., Senior General Manager of Corporate Planning Div.
Senior Vice President	Fumiaki Hayata	Chief General Manager of Corporate Planning Div.
Senior Vice President	Tatsuro Kobayashi	Chief General Manager of Purchasing Div.
Senior Vice President	Eiji Ogino	President of SIA ¹
Vice President	Katsuo Saito	General Manager of General Administration Dept. and Investor Relations Dept.
Vice President	Yasushi Nagae	Chief General Manager of Customer Service Div.
Vice President	Jinya Shoji	Senior General Manager of Overseas Sales & Marketing Div. 1, EVP ² of SOA ³
Vice President	Yoichi Sato	Chief General Manager of Japan Sales & Marketing Div.
Vice President	Takeshi Seiyama	SIA ¹ Senior Vice President of SIA, Senior General Manager of Purchasing Div.
Vice President	Osamu Eriguchi	Chief General Manager of Engineering Div. 2
Vice President	Tomoaki Emori	Senior General Manager of Corporate Planning Div.
Vice President	Tatsuya Okuno	Chief General Manager of Engineering Div. 1
Vice President	Tamotsu Inui	Chief General Manager of Cost Planning & Management Div.
Vice President	Tetsuo Fujinuki	Chief General Manager of Engineering Management Div., Senior General Manager of Engineering Div. 1, and Technical Research Center
Vice President	Hiroshi Wakai	Company Vice President of Aerospace Company, Senior General Manager of Engineering & Development Center
Vice President	Kazuhiro Abe	Chief General Manager of Product Planning Div.

¹ Subaru of Indiana Automotive, Inc.

² Executive Vice President

³ Subaru of America, Inc.

Corporate Governance

Basic Policy on Corporate Governance

- In accordance with the corporate philosophy and management philosophy (see page 02), SUBARU has articulated the vision "From a company making things, to a company making people smile" and is working to enhance corporate governance to gain the satisfaction and trust of all its stakeholders by achieving sustainable growth and improving its corporate value in the medium to long term as a top management priority.
- SUBARU clearly separates management decision-making and oversight from business execution and aims to realize efficient management by expediting decision-making.
- SUBARU ensures proper decision-making and oversight of corporate management and the execution of business operations as well as enhancing compliance and its risk management systems through the monitoring of its management and operations and advice provided by outside officers.
- SUBARU provides proper and timely disclosure of information in order to improve transparency of management.

Management Organization

The Company has chosen a company with a board of corporate auditors as its corporate governance structure. The Board of Directors decides and supervises important matters of business execution, and the Board of Corporate Auditors audits the execution of duties by directors.

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

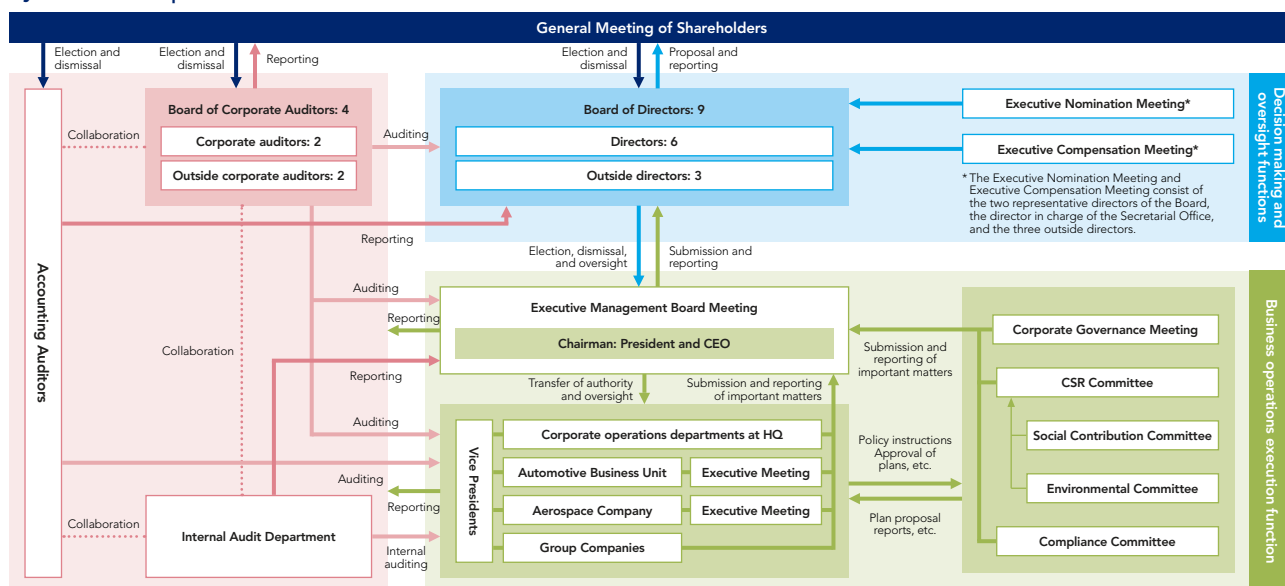
The Board of Directors is composed of nine directors, and the Company has sought to strengthen governance by appointing three outside directors among them.

The outside directors provide sound advice about decisions on important matters of business execution and monitor all aspects of management on the basis of a wealth of knowledge and experience concerning corporate management.

The Board of Corporate Auditors is composed of four corporate auditors, two of whom are outside corporate auditors. The outside corporate auditors perform a management oversight function independent from senior management, performing a role of auditing from the viewpoint of legality and appropriateness on the basis of broad and advanced knowledge.

The Company appoints as outside directors and outside corporate auditors persons who meet the criteria for independence established by the Tokyo Stock Exchange and the Company's independently established criteria for independence.

System of Corporate Governance



The Company currently has one advisor, who is not a retired president or CEO. The principle role of the advisor is to be available on a regular basis to provide business advice upon request. The advisor does not participate in meetings and is not involved in management. In principle, the term of office of the advisor is one year.

SUBARU has abolished the Senior Advisor System.

Policy and Procedure for Nominating Candidates for Director and Corporate Auditor

For the purpose of realizing the Company's corporate philosophy, effective corporate governance, and sustained growth and improvement of corporate value in the medium and long term, the Board of Directors nominates as candidates for directors and corporate auditors persons with a wealth of experience, high levels of ability and insight, and advanced expertise appropriate to a director or corporate auditor of the Company. The Board of Directors considers matters such as diversity within the Board and appoints two or more independent outside directors in the interest of ensuring monitoring and oversight of management from an independent perspective, improving management transparency, and enhancing shareholder value.

The Company has established the Executive Nomination Meeting as a voluntary committee. To ensure fairness and transparency in decisions on executive appointments, the Executive Nomination Meeting, in accordance with inquiries from the Board of Directors, submits to the Board of Directors proposals on the nomination, appointment, and dismissal of officers sufficiently deliberated on and approved by its members, who include the independent outside directors. These personnel matters are decided by resolution of the Board of Directors. Explanations of matters such as the candidate's background, the status of concurrent positions, insight, and expected roles at the Company are provided for each nomination and appointment. Approval of the Board of Corporate Auditors is obtained for nominations of candidates for corporate auditor.

The Executive Nomination Meeting consists of the two representative directors, the director in charge of the Secretarial Office, and the three outside directors, and is chaired by Representative Director of the Board, Tomomi Nakamura. The Executive Nomination Meeting was convened five times in FYE March 2019 and submitted reports mainly on the executive structure and appointments, the division of duties of executives, and the appointment of representatives of major subsidiaries.

Promotion of Diversity Management

Despite a process of selecting officer candidates, in which the Company identifies and shortlists candidates without regard to gender or nationality and considers the capabilities and other attributes of candidates, the Board of Directors is currently composed entirely of men. For this reason, the Company is implementing initiatives to ensure gender diversity on the Board of Directors. In particular, in order to encourage diversity among everyone who works in the SUBARU Group, the Company has made promoting active roles for women a top priority and set a target of increasing the number of female managers in 2020 by at least five times the number in 2014, the year the target was set, in accordance with a policy of promotion through merit based on demonstrated ability. The rate of target achievement was 90% as of March 31, 2019. Furthermore, we have set a new target for 2025 of at least 12 times the number in 2014. Through these activities, we will expand the pool of female candidates for executive officer, vice president, department general manager, and section manager and encourage diversity within the Board of Directors and throughout the Company.

In addition, as part of the promotion of diversity management, a female outside corporate auditor was elected at the 88th Ordinary General Meeting of Shareholders as SUBARU's first female officer.

Board of Directors' Meeting Participation Rate

Category	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019
Number of meetings held	14 times	15 times	15 times	17 times	16 times
Attendance rate	100%	96.3%	96.3%	99.0%	98.4%

* Attendance rates for newly elected directors are calculated based on the number of Board of Directors' meetings held after they assumed office

So that the directors and corporate auditors fully discharge their duties, the Company holds study meetings to continuously provide them with information and knowledge related to business activities necessary for management oversight. In addition, to continuously provide the outside officers with information about SUBARU's management philosophy, corporate culture, and business environment, etc., the Company provides business reports from the operating divisions and opportunities for plant tours and has prepared an environment that encourages sharing of information and exchange of ideas among executives.

Reasons for Appointing the Outside Officers

Outside Directors

Name	Independent Officer Status ¹	Reasons for Appointing	Meeting Attendance (FYE March 2019)		Significant Concurrent Positions ²
			Board of Directors	Board of Corporate Auditors	
Shigehiro Aoyama	○	Mr. Shigehiro Aoyama has served in significant posts at Suntory Holdings Limited. He has abundant experience and broad knowledge and expertise in business management, as well as advanced knowledge in the field of marketing. He has served three years as an independent outside director for the Company as of the conclusion of the 88th Ordinary General Meeting of Shareholders. During his tenure, Mr. Aoyama has provided valuable advice on the management of the Company based on his abundant experience and extensive knowledge as a business manager as well as his deep insight into corporate social responsibility. Therefore, the Company has appointed Mr. Aoyama with the expectation that he will continue to provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective.	Attended 16 of 16 meetings	—	External Director, Takamatsu Construction Group Co., Ltd. Outside Director, Miraca Holdings Inc. President, the Distribution Economics Institute of Japan
Yasuyuki Abe	○	As representative director and senior executive operating officer of Sumitomo Corporation, Mr. Yasuyuki Abe has been involved in management in both a supervisory and executional capacity, possesses extensive experience and knowledge in business management, and has an advanced understanding of the IT field. Mr. Abe has served three years as an independent outside corporate auditor for the Company as of the conclusion of the 88th Ordinary General Meeting of Shareholders. During his tenure, he has supervised the execution of duties conducted by directors, as well as understood the true nature of the problems facing the Company and offered his frank opinions to senior management in a timely and appropriate manner. Therefore, the Company has appointed Mr. Abe with the expectation that he will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective when he assumes office as an outside director of the Company.	Attended 14 of 16 meetings	Attended 12 of 13 meetings	Director of the Board (External), Chairman of the Board, JVC KENWOOD Corporation Advisor, ORANGE AND PARTNERS CO., LTD.
Natsunosuke Yago	○	Mr. Natsunosuke Yago served successively as president and representative director and chairman of the Board at Ebara Corporation, and has extensive experience and knowledge in business management. Mr. Yago is especially knowledgeable in the areas of internal control and governance, and the Company has appointed him with the expectation that he will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective when he assumes office as an outside director of the Company.	—	—	President, Ebara Hatakeyama Memorial Foundation

In addition to the number of Board of Directors' meetings shown in the above table, there was one written resolution passed that has been deemed equivalent to a Board of Directors' meeting, pursuant to Article 370 of the Companies Act and the Articles of Incorporation.

Outside Corporate Auditors

Name	Independent Officer Status ¹	Reasons for Appointing	Significant Concurrent Positions ²
Shigeru Nosaka	○	Mr. Shigeru Nosaka has been involved in management in both a supervisory and executional capacity as a director and executive vice president and vice chairman of the Board at Oracle Corporation Japan and possesses extensive experience and knowledge in business management. Also, Mr. Nosaka has served as chief financial officer of Oracle Corporation Japan for many years and has ample knowledge of finance and accounting. The Company has appointed him with the expectation that he will appropriately perform the duties when he assumes office as of an outside corporate auditor of the Company.	Vice Chairman of the Board, Oracle Corporation Japan (Planned retirement in August 2019)
Kyoko Okada	○	Ms. Kyoko Okada has accumulated extensive experience and knowledge in areas such as CSR and corporate culture at Shiseido Co., Ltd. and has a career in management auditing as a corporate auditor at Shiseido. Ms. Okada has worked at a company that offers numerous products for women, and the Company has appointed her with the expectation that she will appropriately perform the duties when she assumes office as an outside corporate auditor of the Company, including providing advice concerning the Company's challenges from her unique viewpoint as a woman	Director, Japan Cancer Society Outside Audit & Supervisory Board Member, NS Solutions Corporation

¹ Outside directors and outside corporate auditors unlikely to have conflicts of interest with general shareholders as stipulated by the Tokyo Stock Exchange

² As of June 30, 2019

Messages from the Outside Directors



Applying External Management Knowledge
as an Advocate for Stakeholders to
Contribute to the Evolution of
Risk Management at SUBARU

Shigehiro Aoyama

Outside Director
Appointed as outside director in June 2016

Initiatives in connection with reform of the Corporate Governance Code have greatly accelerated in recent years. In particular, companies have been strongly urged to recognize the importance of outside officers. One factor in this is that shareholders and other stakeholders sense the limitations of the theory that management knows the industry and company better than anyone else and can run a company on that internal logic. The kind of governance change that is being called for involves the incorporation of outside management knowledge and corporate reform plans through the infusion of “outside blood.”

The most important prerequisite for outside directors is independence. Since outside directors have no relationships of interest or connections to corporate officers with executive functions, they are in a position to speak their minds without hesitation. Outside directors are expected to say things they consider beneficial for the company without fear of conflict, even if their opinions differ from views within the company. In essence, there is a requirement for a governance structure in which officers who are non-executive directors devote themselves to oversight, and the result of that oversight can be reflected in resolutions of the Board of Directors.

Outside directors must have a certain level of insight based on previous experience and skills gained as executives, and be able to offer incisive comments to management as both advocates for all stakeholders, and importantly, from the perspective of shareholders. For this reason, I consider it important for outside directors to refine their ability to observe the status of management execution and ask questions to confirm that it does not unknowingly include any conventional wisdom or risks specific to the company or industry. Also, since all experience and skill becomes obsolete with the passage of time, insight that relies solely on one’s own experience and skills is dangerous. Outside directors must refine and update their insight by recognizing that their skills must be dynamic rather than static.

However, even if outside directors maintain their independence and engage in activities to refine their insight on corporate value enhancement, it is meaningless if the company does not accept it. I think there must be a relationship built on trust by which the outside directors express their views based on a sense of loyalty to the company or, simply, a commitment to increasing corporate value by any means. In addition, the inside directors must accept those views with humility and endeavor to make changes. Although the most important mission of outside directors is, of course, to provide oversight of the management of the inside directors, along with checks and balances, I think that a relationship built on trust between the inside officers and outside directors is the starting point for corporate governance today.

From my perspective as an outside director, there is no doubt that SUBARU has a corporate culture of earnestness and sincerity, but I feel that a couple of issues for SUBARU are how little it communicates with the outside world and how late it has been in addressing certain business challenges that are pertinent to the times.

SUBARU’s entire industry faces today’s changes, such as those represented by CASE, and the changing social needs for mobility. Impelled by a sense of urgency that comes with the shifting industry, it is important to have a mentality that allows us to speedily embrace the challenge of technological development and innovation. SUBARU must refine and perfect what it considers its greatest strengths.

SUBARU has evolved top-of-class safety technologies, such as EyeSight, and is enthusiastically committed to the issue of safety. The aim of eliminating fatal traffic accidents involving SUBARU vehicles by 2030, set forth in the mid-term management vision, concretely expresses SUBARU’s responsibility as a manufacturer.

I think this is an example of what SUBARU can do to contribute to the creation of a sustainable society.

In closing, I consider risk management to be the single most important aspect of corporate management today and express this view at every opportunity. Risk management involves recognizing risk factors that the company faces and always considering countermeasures. As a matter of fact, emphasizing and ensuring compliance is the most critical requirement for risk management. Like a small leak that sinks a great ship, a seemingly insignificant compliance violation can bring down a company. Furthermore, a company should realize that there is risk in simply continuing the conventional ways of thinking about and carrying out business operations, work practices, and strategy, and that these need to be transformed. It is precisely this sort of transformation that is the greatest management challenge today, and a company will evolve if they consider risk management to consist of the continuous probing of its current activities and internal logic. Therefore, I think that it is more important than ever to bring in outside ideas and outside blood, and that outside directors have a major role to play.



Applying the Experience Gained through Networking with a Variety of Industry Sectors for Deeper company-wide Discussion to Promote the Sustained Growth of SUBARU and Increase Corporate Added Value

Yasuyuki Abe

Outside Director

Served as outside corporate auditor from June 2016 to June 2019

Appointed as outside director in June 2019

One important role of outside directors is to maximize corporate value from the perspective of shareholders and other stakeholders. I have been newly appointed as an outside director, but my three years of service as a SUBARU outside corporate auditor has enabled me to ascertain the company's current strengths as well as the challenges it faces. For this reason, I think I will be able to contribute more comprehensively to discussions about future management challenges and other matters. My previous activities at a trading company span many years, and I have worked particularly within the global information industry in the fields of finance, distribution, and in other new businesses. As a matter of course, I feel that I have a slightly different point of view from SUBARU's inside corporate officers, who have mainly specialized in the automotive business. In my capacity as an outside corporate auditor, I primarily focused on confirming whether the company was functioning properly. My standpoint will now change, and as a director I will fulfill the role of more actively obtaining information from outside sources and feeding it back to the Company.

One issue I have observed at SUBARU is that, although the company sincerely and earnestly deals with any issues it may have, I feel SUBARU has little contact with other companies in the automotive or other industries and is seldomly proactive in seeking information from outside sources. There are certainly business opportunities to be found in the outside world, and it is also important to experience outside stimuli. Even if the benefits of contact with external parties do not immediately appear, that contact may become the starting point for diverse ideas. Also, as SUBARU continues its mono-zukuri (car-making) activities, seeing the world from a broader perspective and thinking flexibly may lead to new businesses. I see no need for SUBARU to limit and narrowly define its business domains when its business opportunities are limitless. Since a company is like a living thing, it cannot live long without maintenance. A company that grows will naturally change, and it must also undergo guided change. I strongly hope that SUBARU will shift its way of thinking, take advantage of the strengths and potential afforded by its business scale, and continue to take on challenges even if it means changing its business model. At the same time, I want SUBARU to continue to honestly pursue the delivery of "Enjoyment and Peace of Mind" to customers, while accelerating its current activities to become "a company that does the right thing in the right way." I'm convinced that in so doing, SUBARU will achieve further development at a new stage.

My strength as an outside director is the connections I have obtained through networking and interacting with various industry sectors. I want to share the information I can obtain from those connections to deepen company-wide discussion in preparation for SUBARU's sustained growth, and contribute to increasing corporate added value.



**Considering Risks and Opportunities from
an Objective, Third-party Perspective and
Contributing to SUBARU's Sustained Growth through
Discussions at Meetings of the Board of Directors**

Natsunosuke Yago

Outside Director
Appointed as outside director in June 2019

I consider it the primary role of outside directors to bring the objective eye of a third party to meetings of the Board of Directors. Our role is to contribute to correct management decisions by identifying discussion points that inside directors tend to overlook and expanding the scope of discussion at Board meetings. The integration of the automotive industry with the information and communication industry is expected to advance at an accelerated rate due to the introduction of fifth-generation (5G) mobile communication systems, as well as the development of artificial intelligence. These are expected to give rise to an unprecedented seismic shift within the automotive industry and I think the Board of Directors will be required to discuss issues from a more long-term perspective. In such discussions, I want to consider risks and opportunities from an objective perspective and help guide the Board of Directors to reasonable conclusions.

When I make decisions as a business executive, I like to emphasize the risks of not taking action. It is the role of executives to make final decisions on whether or not to do something. Moreover, they are required to make decisions one after another (and quickly). I consider the risks of not taking action (problems that will occur because of not taking action), and if I judge that there are no such risks, or that a problem can be solved using an existing method, I make the decision to not do something. Of course, if I judge that a significant risk (including loss of opportunities) will occur if no action is taken, I make the decision to go ahead. Compared to the decision-making approach of considering the benefits and risks of taking action, I think this makes it easier to narrow down what should really be done. In addition, I'd like to share two proverbs I have followed in the past when I make business decisions: "First, start from small things" when beginning a project, and "Fortune is unpredictable and changeable" when a project has ended. The first saying reminds me to start with what I can do in order to accomplish the final objective, and the second saying helps me moderate my emotions so that when I evaluate results I am not carried away by success or excessively discouraged by failure.

I have high expectations that SUBARU will steadily grow as a company by protecting and achieving wider penetration of its brand image. Rather than aiming for the expansion of scale (sales) or a simple maximization of (short-term) profit, I think this can be achieved by prioritizing investment in R&D and human resources in order to increase customer satisfaction. Brand value is not something achieved overnight, but something built up over a long period of time in the history of a company. SUBARU's brand image in the market (including among the industry, consumers, and investors) is excellent, and the brand itself increases corporate value. At a time when a major seismic shift is about to occur across the entire automotive industry, I am convinced that a highly valuable brand image will ensure SUBARU's existence as a company.

Policy and Procedure for Determining the Amount of Compensation for Directors and the Calculation Method

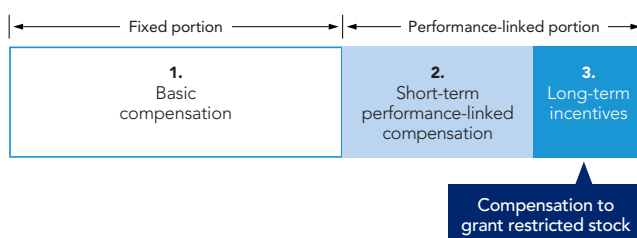
Compensation, etc., of directors is determined in view of the following items.

- Compensation, etc., is at a level commensurate with the roles and responsibilities of directors and is appropriate, fair, and balanced.
- The compensation structure is determined by giving consideration to providing motivation for sustained improvement in corporate performance and corporate value and securing talented personnel.

The specific composition of compensation, etc., is as described below. The total amount of compensation and level of each compensation type are set according to job responsibilities and status as inside or outside director by utilizing survey data from external specialist organizations and other sources.

Compensation System for Directors (Excluding Outside Directors)

1. Basic compensation	A fixed portion with the specific amount determined based on job position, taking into consideration elements such as the business environment
2. Short-term performance-linked compensation	A performance-linked portion with the specific amount determined based on consolidated ordinary income for the current fiscal year, taking into consideration personnel development and the business environment, and adjusted according to the matrix of combined ROE and improved shareholders' equity ratio, which are both performance indicators aligned with the Company's capital policy
3. Long-term incentives	Compensation to grant restricted stock for the purpose of providing an incentive for sustained improvement of the Company's corporate value and further value sharing with the shareholders



In view of the role of outside directors in the monitoring and oversight of management from an independent standpoint, the Company does not provide short-term performance-linked compensation or long-term incentives to outside directors.

By a resolution passed at the 85th Ordinary General Meeting of Shareholders, held on June 28, 2016, the maximum total amount of annual compensation, etc., for directors is 1.2 billion yen (including 200 million yen for outside directors). The maximum total amount of monetary compensation related to long-term incentives is 200 million yen per year, within the abovementioned limitation. The maximum number of directors provided for in the Company's Articles of Incorporation is 15.

The Company has established the Executive Compensation Meeting as a voluntary committee. To ensure fairness and transparency in decisions on executive compensation, the Executive Compensation Meeting, on the basis of delegation by the Board of Directors, determines specific compensation amounts, including the compensation system, following sufficient deliberation by its members, who include the independent outside directors. With regard to revisions of the compensation system and other matters pertaining to compensation overall, proposals approved by the Executive Compensation Meeting are deliberated and decided on by the Board of Directors. The Executive Compensation Meeting is composed of the two representative directors, the director in charge of the Secretarial Office, and the three outside directors, and is chaired by Representative Director of the Board, Tomomi Nakamura.

In STEP, the mid-term management vision announced on July 10, 2018, the Company set forth a profit plan that includes operating income of 950.0 billion yen for the three-year period from FYE March 2019 to FYE March 2021. The Company aims to achieve a ratio of shareholders' equity to total assets of 50% and to maintain a minimum ROE of 10% while aiming for ROE of 15% or higher. For FYE March 2019, consolidated ordinary income was 196.2 billion yen, the ratio of shareholders' equity to total assets was 53.8% (down 0.4% year on year), and ROE was 9.4%. On the basis of these results, the Executive Compensation Meeting, under the authority of the Board of Directors, determined the amount of short-term performance-linked compensation to pay to each director.

By a resolution passed at the 75th Ordinary General Meeting of Shareholders, held on June 27, 2006, the maximum total amount of annual compensation, etc., for corporate auditors is 100 million yen. An amount determined through discussion among the corporate auditors based on position, taking into consideration the business environment, is paid as basic compensation for corporate auditors. The maximum number of corporate auditors provided for in the Company's Articles of Incorporation is five.

Total Amount of Compensation by Officer Category, Total Amount by Compensation Type, and Number of Eligible Officers

Classification	Number	Total compensation (millions of yen)			
		Basic compensation (paid in fixed monthly installments)	Performance-linked compensation		
			Short-term performance-linked compensation	Long-term incentives	
Directors (excluding outside directors)	9	291	80	51	422
Corporate auditors (excluding outside corporate auditors)	2	56	—	—	56
Outside executive officers	4	46	—	—	46
Total	15	393	80	51	524

Note: The above table includes four directors who retired by the last day of FYE March 2019

At the end of FYE March 2019, there were seven directors (including two outside directors) and four corporate auditors (including two outside corporate auditors)

Development of Internal Control Systems

The Company has adopted, by resolution of the Board of Directors, a basic policy on development of a system to ensure that execution of duties by directors complies with laws and regulations and the Articles of Incorporation, as well as on the development of other systems stipulated by ordinance of the Ministry of Justice as necessary to ensure the properness of operations of a stock company and a corporate group consisting of the stock company and its subsidiaries. The Company plans, develops, and applies revisions to this basic policy as needed.

Status of Auditing by Corporate Auditors

SUBARU's corporate auditors attend meetings of the Board of Directors and other important meetings, inspect business sites and subsidiaries, interview members of the Internal Audit Department, and audit the execution of duties by directors and others in accordance with the audit policy and audit plan established by the Board of Corporate Auditors.

(Status of initiatives by the corporate auditors to ensure effectiveness of auditing)

The Company's corporate auditors attend meetings of the Board of Directors, Executive Management Board Meeting, Compliance Committee, CSR Committee, and other important meetings, express their opinions as necessary, and ensure the effectiveness of auditing. They also conduct executive interviews with directors and vice presidents, perform on-site audits of important business sites and affiliated companies, and confirm the status of development and operation of internal control systems. The corporate auditors receive monthly reports from the Internal Audit Department and Legal Department and receive reports on the status of subsidiaries from the departments in charge as needed. In addition, they hold conferences with the corporate auditors of major subsidiaries. The corporate auditors cooperate with the accounting auditors through quarterly exchanges of information and opinions and discuss the appointments of the accounting auditors.

Status of Internal Auditing

SUBARU has established the Internal Audit Department as an internal auditing organization and conducts internal audits of business execution at SUBARU and its domestic and overseas Group companies. At the beginning of the fiscal year, the department prepares an internal audit plan for the fiscal year that takes into consideration the internal control status of the Group as a whole and systematically implements the plan. The department prepares and distributes to the directors, corporate auditors, and concerned parties audit reports on the results of internal audits and reports on a quarterly basis at the Executive Management Board Meeting.

The Internal Audit Department and corporate auditors work to deepen collaboration and strengthen the auditing function through monthly internal audit report meetings held by the department and quarterly dialogues about internal control that include the director in charge of the department. The department and corporate auditors endeavor to strengthen the auditing function through quarterly information sharing with the accounting auditors.

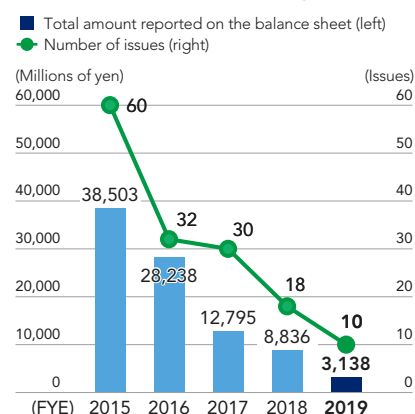
Policy on Cross-Shareholdings

Regarding major listed stocks held by the Company as cross-shareholdings, each year the Board of Directors examines each instance of cross-shareholding to determine whether its purpose and the benefits derived from it justify the capital cost. If the Board of Directors judges that cross-shareholding will contribute to management and business strategies in the medium and long term, the Company continues to hold the shares. The Company has been steadily reducing cross-shareholdings of listed shares since the Corporate Governance Code went into effect, and the number of issues was 10 as of March 31, 2019.

Number of Issues of Cross-Shareholdings and Total Amount Reported on the Balance Sheet

Category		FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019
Number of issues (Issues)	Listed	60	32	30	18	10
	Unlisted	31	31	32	31	31
	Total	91	63	62	49	41
Amount reported on the balance sheet (Millions of yen)	Listed	38,503	28,238	12,795	8,836	3,138
	Unlisted	552	526	544	535	535
	Total	39,055	28,764	13,339	9,371	3,673

Listed Cross-Shareholdings



Evaluation Results of the Effectiveness of the Board of Directors

In accordance with the Corporate Governance Guidelines, the Company's Board of Directors analyzes and evaluates the effectiveness of the Board, then considers and implements measures to improve any issues identified. In FYE March 2019, the Board's analysis and evaluation centered on confirmation of measures to address issues identified in previous evaluations in addition to fixed-point observation from the FYE March 2018 evaluation. A report on the analysis results follows.

Evaluation and Analysis Methods

Timing of implementation: March 2019

Respondents: All directors and corporate auditors (11 in total, including outside officers)

Implementation procedure: Self-evaluation using a questionnaire prepared by a third-party body

- 1) A third-party body conducted a self-evaluation questionnaire survey of all directors and corporate auditors using an anonymous questionnaire.
- 2) The third-party body aggregated and analyzed the questionnaire data.
- 3) A report received from the third-party body was verified and discussed by the Board of Directors.

Questionnaire items: 1) Board of Directors' management structure 2) Board of Directors' oversight function 3) Shareholder dialogue 4) Addressing of issues identified in the FYE March 2018 evaluation

Each director performed a self-evaluation by answering questions using a four-point rating scale and provided their own thoughts on points of excellence relating to SUBARU's Board of Directors and the necessary points to further increase the Board's effectiveness, before submitting the completed questionnaire directly to the third-party body.

Evaluation Results

The Board of Directors received an evaluation report from the commissioned third-party body as described below.

- As was the case with the evaluation results up to FYE March 2018, it was confirmed that free and open discussion is conducted from a company-wide perspective at meetings of the Board of Directors.
- On the other hand, the results of this fiscal year's evaluation were generally the same as the previous year or less positive than the previous year. (Please refer to the aggregated questionnaire responses.) The Board attributes this to increased recognition of the need for further improvement amid a series of instances of inappropriate conduct and the Company has responded.
- It was confirmed that there is strong awareness that successor training and information provision to outside officers are areas in which further improvement and functional enhancement is expected.

Issues Identified in the Previous Fiscal Year's Evaluation

The Company addressed in FYE March 2019 the following issues identified in the previous fiscal year's evaluation.

1. Reinforcing risk identification and management systems
Efforts to review and reinforce the risk identification and management systems in response to the improprieties have progressed, and the need to continue such efforts and firmly establish the system was confirmed.
2. Enhancing discussion of medium- to long-term management strategy
There was consensus on the need to further increase opportunities to discuss the Company's medium- to long-term vision and business strategy.

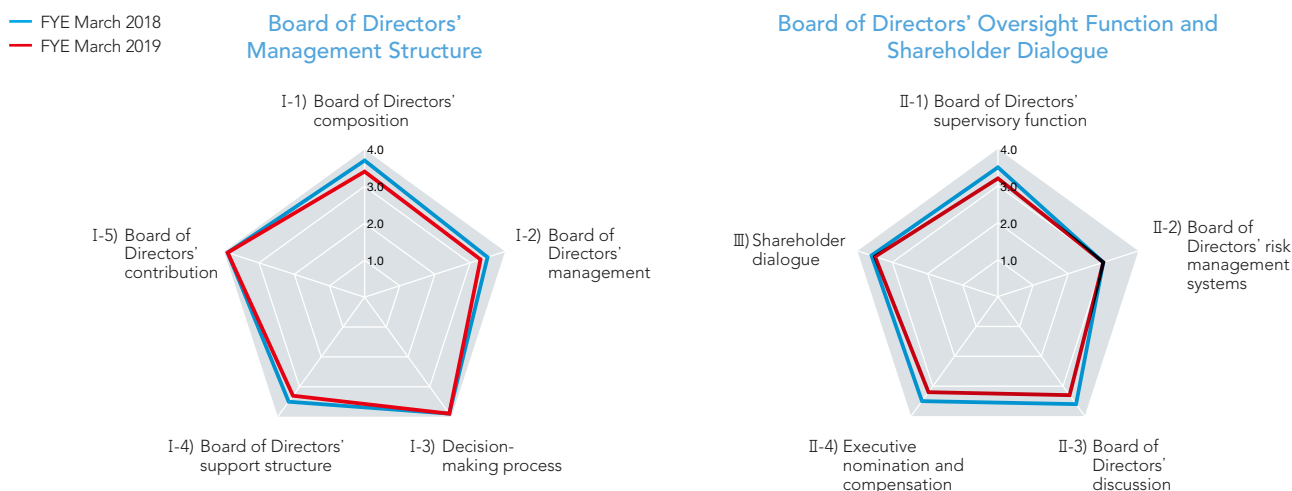
Effective April 1, 2019, the Company newly established the Corporate Planning Division for the purpose of accelerating management strategy planning and implementation, and the Market Strategy Department and Logistics Management Department under the Corporate Planning Division. The Company also established the position of Chief Risk Management Officer (CRMO) for the purpose of enhancing the effectiveness of internal controls and risk management, and the Risk Management & Compliance Office under the control of the CRMO.

Future Initiatives

In response to the evaluation report received from the third-party body, the Board of Directors verified and discussed future initiatives. As a result, the Board confirmed that it will continue its efforts to reinforce risk identification, bolster management systems, and establish a firm foundation for the corresponding practices and enhance discussion of medium- to long-term management strategy. It also confirmed that it will discuss policy for succession planning and successor development.

The Board of Directors will improve Board functions, strengthen corporate governance, and promote continuous enhancement of corporate value by continuing to evaluate its effectiveness.

Aggregated Questionnaire Responses



Questions

Category	Matters Examined		
I. Board of Directors' management structure			
1) Board of Directors' composition	Board of Directors' size	Board of Directors' composition (proportion of inside and outside directors)	Board of Directors' composition (diversity and specialty)
2) Board of Directors' management	Frequency, duration, and distribution of meetings	Appropriateness of agenda	Quality and quantity of documents
	Timing of document distribution	Pre-meeting explanation	Content of explanations and reports
3) Decision-making process	Chair's leadership	Adequate discussion	
4) Board of Directors' support structure	Environment and systems for providing information	Provision of information to outside directors	Training of outside directors
	Training of inside directors		
5) Board of Directors' contribution	Stance toward initiatives	Company-wide perspective	Mutual respect
	Diverse values	Stakeholder perspective	
II. Board of Directors' oversight function			
1) Board of Directors' supervisory function	Reporting systems	Supervision of management	
2) Board of Directors' risk management systems	Risk management systems	Subsidiary management systems	Information-sharing on risks and risk response
	Systems for managing progress of response measures	Thorough awareness of compliance issues	
3) Board of Directors' discussion	Discussion of management strategy	Discussion of capital policy	Discussion of cross-shareholdings
	Discussion on strengthening governance	Responses to social and environmental issues	
4) Executive nomination and compensation	Composition of Executive Nomination Meeting and Executive Compensation Meeting	Successor development	Incentive-based compensation
III. Shareholder dialogue			
Shareholder dialogue	Sharing shareholder and investor views	Enhancement of shareholder and investor dialogue	