

The SUBARU Group engages in CSR activities with the aim of contributing to society through its business and achieving a sustainable society.

Our Approach to CSR

The world faces a great many social issues and challenges, such as global warming, human rights issues, and an aging and declining population, and there are rising expectations that corporations will help resolve these issues. Initiatives to address a variety of social issues are required in the SUBARU Group's business domains, such as efforts to reduce environmental impact, prevent traffic accidents, and alleviate traffic congestion.

Therefore, as a corporate citizen we not only develop, manufacture, and sell products with outstanding safety and environmental performance and quality, but we also engage in CSR activities to meet the needs of society and address social challenges. The automotive industry has entered a once-in-a-century transition period and the social environment is constantly changing. We consider it necessary to promote and ensure the penetration of CSR initiatives on a Group-wide, global scale to contribute to society through our businesses and meet stakeholder expectations and demands. To that end, in FYE March 2019 we reviewed the Eight CSR Action Items and newly defined Six Priority Areas for CSR.

By applying the thought process behind the Six Priority Areas for CSR to how we conduct business, we will fulfill our social responsibilities as a corporation and continue to provide "Enjoyment and Peace of Mind" to our customers and other stakeholders. In so doing, the SUBARU Group will become a corporate group trusted by society and contribute to the creation of a more affluent, sustainable society as a truly global company.



CSR Policy (Revised in June 2009)

1. We respect the laws and regulations, human rights, international standards of behavior and the rights and morals of stakeholders under our Corporate Code of Conduct.
2. We become involved as a corporate citizen in addressing social issues facing society today.

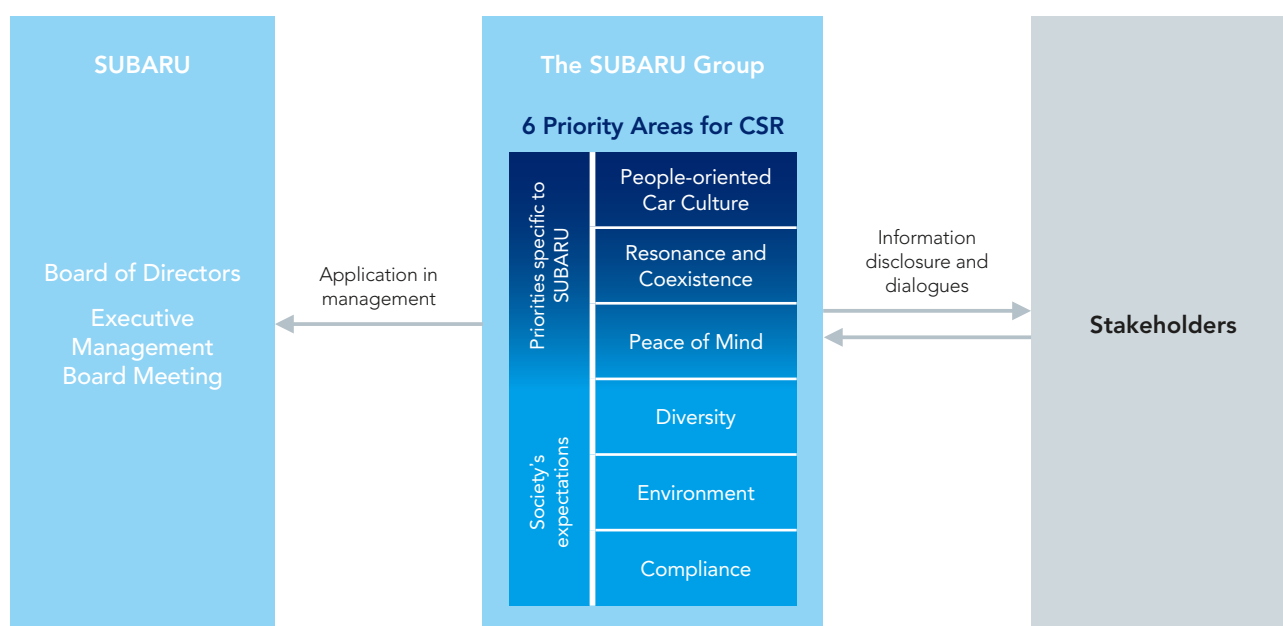
The Process of Formulating the Six Priority Areas for CSR

In conjunction with STEP, the mid-term management vision, the SUBARU Group has reviewed the previous Eight CSR Action Items and newly selected Six Priority Areas for CSR: people-oriented car culture, resonance and coexistence, peace of mind, diversity, environment, and compliance.

In selecting the priority areas, we first identified 41 CSR priority topics for which social needs were high and then conducted a questionnaire survey of experts and investors in North America and Japan. Finally, we considered CSR from two perspectives: areas for contributing to society by taking advantage of business strengths, and areas for meeting the expectations of society. As a result, we selected people-oriented car culture, resonance and coexistence, peace of mind, and diversity as areas for contributing to society by taking advantage of business strengths. We selected peace of mind, diversity, environment, and compliance as areas for meeting the expectations of society. Although peace of mind and diversity overlap, we selected peace of mind because it is an area in which the needs of society and the SUBARU Group's business strengths coincide and selected diversity because we broadly define it as including not only the diversity required by society but also diversity in the products we provide to our customers.

Since information disclosure and dialogue with stakeholders and reflection of stakeholder feedback in management are essential for restoring trust, we will implement what we call "6M+1E" initiatives: the Six Priority Areas ("6M," with "M" standing for materiality) plus information disclosure and dialogue with stakeholders and reflection of feedback in management ("1E," with "E" standing for engagement).

Application of the Six Priority Areas for CSR in Management

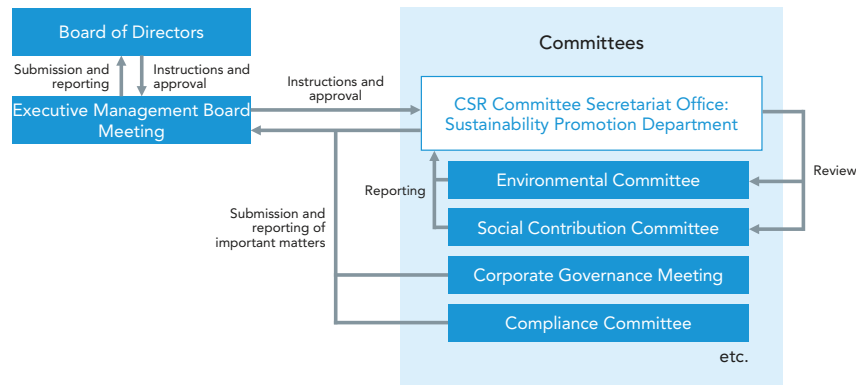


Our Six Priority Areas for CSR and Basic Approach

People-oriented Car Culture	SUBARU believes that a car is more than just a means of transport. SUBARU will foster a sustainable mobility culture by providing customers with added value in the form of products and services which make the car a partner that enriches people's lives and minds, while cherishing the human emotions of enjoyment and peace of mind.
Resonance and Coexistence	SUBARU will become a company that is trusted by, and resonates and coexists with both individual customers and society as a whole by engaging seriously with their voices through greater person-to-person communication.
Peace of Mind	SUBARU will become a company that provides all stakeholders with the utmost peace of mind.
Diversity	The SUBARU Group's approach to promoting diversity has two key elements: offering products that respect diverse forms of market value, and respecting and reflecting the diverse values of all those who work for the SUBARU Group.
Environment	In order to pass on "The earth, the sky and nature," SUBARU's fields of business, to future generations, we provide utmost care to the environment with our company-wide activities.
Compliance	SUBARU will become a company that operates in accordance with laws, regulations, and societal norms, ensuring that our focus on compliance as a priority permeates throughout and is practiced by all those who work for the SUBARU Group.

CSR Promotion System

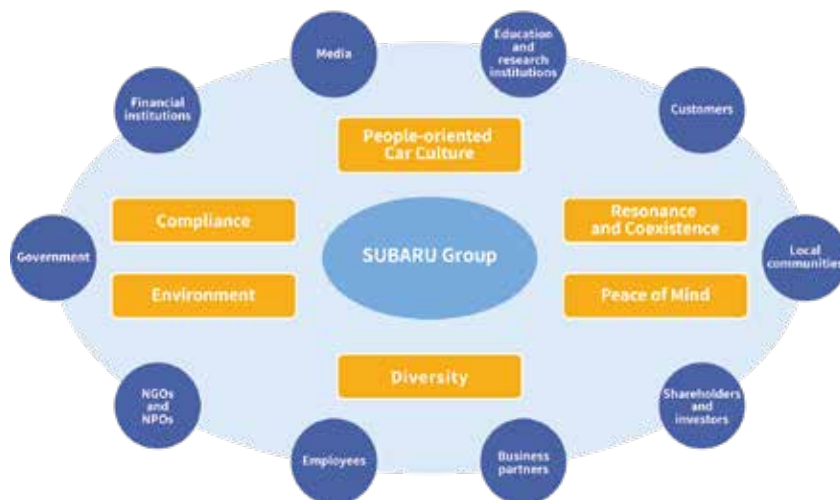
The CSR Committee (secretariat office: Sustainability Promotion Department) meets twice a year as a forum for discussing CSR initiatives, and confirms the status of the PDCA cycle of each specialized committee and department. The CSR Committee, which is chaired by SUBARU's representative director of the Board and president and includes all executive officers as members, considers and discusses the social aspects of SUBARU's businesses and works to strengthen CSR initiatives.



Relationship to Stakeholders

The SUBARU Group believes that its CSR initiatives must place importance on the relationship with stakeholders and that disclosing information to stakeholders, engaging in dialogue with them, and reflecting this in the management of the business are all essential. In order to realize our vision of becoming "A Compelling Company with a Strong Market Presence" as stated in our management philosophy, the SUBARU Group will continue to make efforts to gain trust from our stakeholders, and to make useful social contributions while at the same time increasing our corporate value.

Subaru Group's Stakeholders and Their Relationship with Six Priority Areas for CSR



Initiatives for the Sustainable Development Goals

The SUBARU Group recognizes the importance of responding to the Sustainable Development Goals (SDGs), which provide a roadmap for achieving a sustainable future by 2030. To respond to climate change, we aim to reduce the SUBARU Group's direct CO₂ emissions (Scope 1 and 2) to 30% below FYE March 2017 levels (based on a total emissions volume basis) by FYE March 2031, and we expect to reduce CO₂ emissions by an amount equivalent to 3% of annual emissions by FYE March 2021. To reduce traffic accident fatalities and injuries, we continue to implement initiatives to achieve our target of eliminating fatal accidents involving SUBARU vehicles* by 2030. Through these initiatives, we are contributing to the creation of a sustainable society.

* Elimination of accidents resulting in the death of drivers or passengers in SUBARU vehicles and accidents resulting in the death of pedestrians, cyclists, or other persons due to collision with SUBARU vehicles

SUBARU Environmental Policies

SUBARU Sustainability Principles

“The earth, the sky and nature” are SUBARU’s fields of business.

With the automotive and aerospace businesses as the pillars of SUBARU’s operations, our fields of business are the earth, the sky and nature. Preservation of the ecosystem of our planet, the earth, the sky and nature, is of utmost importance to ensure the future sustainability of both society and our organization. We align our business strategy to enhance these global goals in all of our operations.

1. We develop and deliver products to meet societal needs and contribute to the environment through advanced technologies.

By striving to create advanced technologies that put the environment and safety first, we will develop and deliver products that can contribute to protecting the earth’s environment.

2. We focus on efforts aimed at coexistence with nature.

Together with efforts to reduce carbon-dioxide emissions in all of our operations, we will promote active engagement with nature by stressing forest conservation.

3. We take on challenges as one through an all-SUBARU approach.

Utilizing our unique organizational character that allows us to oversee the entire supply chain, all of us together will take on the challenges of environmental protection of our planet through an all-SUBARU approach.

Environmental Principles

SUBARU’s fields of business are the earth, the sky and nature. SUBARU understands that the health and preservation of biodiversity and controlling climate change are critical to ensuring a sustainable future for our planet earth, nature, communities, and businesses.

Products

We develop our products and conduct R&D in light of the lifecycle environmental impacts of our products.

Purchasing

Our purchasing activities reflect consideration for biodiversity and other aspects of environmental protection.

Production

We strive to minimize our environmental impact through improving energy efficiency and waste management.

Logistics

We strive to minimize our environmental impact through enhancing energy efficiency and promoting pollution prevention.

Sales

We endeavor to recycle resources efficiently and reduce waste.

Management

We will strive to improve our sustainability program through contributions that meet societal needs and by publicizing our activities as Team SUBARU.

[Established: April 1998, Revised: April 2017]

Basic Approach to Climate Change and Specific Initiatives

Basic Approach to Climate Change

SUBARU has declared that “The earth, the sky and nature” are our fields of business, and the gifts of nature are essential for our businesses and products. Recently, the problem of climate change, as exemplified by increasingly frequent and damaging abnormal weather, is a common threat to humanity. We consider the reduction of greenhouse gases emitted by human activities (hereafter expressed as CO₂ equivalents in the interest of convenience), which have been identified as a cause of climate change, an essential activity for realizing sustainable growth for both society and SUBARU.

In accordance with this belief, to help achieve the goal adopted in the Paris Agreement of 2015 of limiting global warming to less than 2°C above pre-Industrial levels, we will not only work to improve the environmental performance of our products, but also strive to protect the global environment throughout product lifecycles, from mining raw materials for automobiles to manufacturing, transport, use, and disposal.

Product Initiatives

SUBARU believes that the question of how to improve fuel economy, a measure of product environmental performance, is important for reducing CO₂ emissions, which are said to be a cause of global warming. Even as we pursue improving fuel economy in existing gasoline engine vehicles, we will actively work to reduce CO₂ emissions by expanding our lineup of electrified vehicle models and, furthermore, by pursuing EV development with an eye on the increasingly stringent fuel economy regulations in various countries.

SUBARU will also utilize the alliance with Toyota Motor Corporation as a strategic move to prepare for the coming era of full-scale electrification. In June 2019, we announced that we have agreed to jointly develop with Toyota a platform dedicated to battery electric vehicles (BEVs) for midsize and large passenger vehicles and a C-segment-class BEV SUV model. By combining the technological strengths of both companies—for instance, the electrification technologies that Toyota is employing to bring together other companies that share its aspirations, and the all-wheel drive (AWD) technologies that Subaru has cultivated for many years—we will seek to create products that feature the unique appeal of BEVs and aim to launch them in the first half of the 2020s.

Partnership with Communities: SUBARU Forest Project

To conserve the natural capital of local communities, SUBARU is focusing on activities to conserve forests, a key source of CO₂ absorption. Specifically, we have undertaken the SUBARU Forest Project, in which we are working to conserve local forests under agreements with Gunma Prefecture, Utsunomiya City in Tochigi Prefecture, and Bifuka Town in Hokkaido, localities closely connected with our business.

Initiatives at the Production Stage

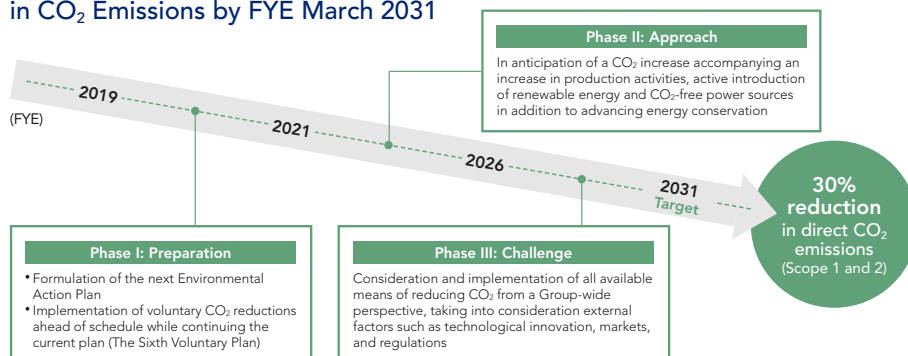
The SUBARU Group's direct CO₂ emissions (Scope 1 and 2) are quite low in comparison with total emissions, including Scope 3 emissions. However, we have set forth an environmental policy of global environmental protection throughout the entire value chain and believe that taking the initiative in efforts to reduce direct CO₂ emissions will lead to further enhancement of the all-SUBARU approach to environmental protection.

Therefore, in the Environmental Action Plan for FYE March 2022 and beyond, we have set a target of reducing the SUBARU Group's direct CO₂ emissions to 30% below FYE March 2017 levels (based on a total emissions volume basis) by FYE March 2031. Furthermore, in Phase I: Preparation of the action plan, we intend to implement CO₂ reductions ahead of schedule. Through measures such as the introduction of renewable energy, we will aim for CO₂ emissions reduction of approximately 20,000 t-CO₂, which is an amount equivalent to approximately 3% of annual emissions, by FYE March 2021.

Direct CO₂ Emissions Reduction Targets

Target achievement year	Target
FYE March 2021	Reduction of approx. 20,000 t-CO₂ Equivalent to approx. 3% of annual emissions
FYE March 2031	30% reduction from FYE March 2017 levels based on a total emissions volume basis

Roadmap for 30% Reduction in CO₂ Emissions by FYE March 2031



SUBARU's Principal Initiatives for a Reduction of 20,000 t-CO₂ by FYE March 2021

Installation of captive-consumption solar power system



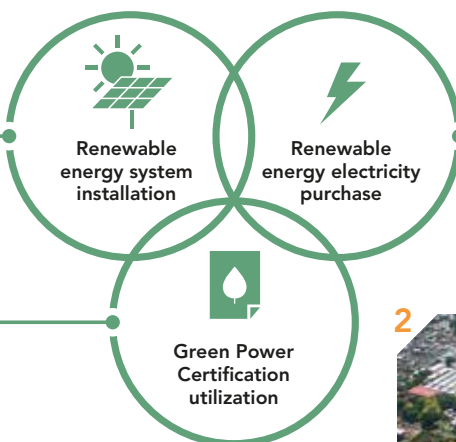
Gunma Oizumi Plant
(projected reduction: 2,600 t-CO₂)



Facilities in Oizumi including
Subaru Accessory Center, etc.
(projected reduction: 330 t-CO₂)



Head office and
training center in Tokyo
(projected reduction: 1,000 t-CO₂)



Purchase of electricity from hydroelectric power generation



Utsunomiya South Plant and
2nd South Plant
(projected reduction: 5,400 t-CO₂)



Tokyo Office in Mitaka
(projected reduction: 4,000 t-CO₂)



Gunma Main Plant
(projected reduction: 6,200 t-CO₂)

New Initiatives

1 Installation of a Solar Power System at SUBARU Facilities in Oizumi, Gunma Prefecture (Projected reduction: 330 t-CO₂)

We will install a captive-consumption solar power system at SUBARU facilities in Oizumi, Gunma Prefecture. We aim to complete the system, with expected power output of 1 MW (generating 1,145 MWh of electricity annually), in FYE March 2020. We plan to use the power generated by the system at the Subaru Accessory Center and the Kanto PDI Center, which is projected to reduce emissions by 330 t-CO₂, approximately 40% of the CO₂ emitted from these facilities.

2 CO₂ Emissions-Free Hydropower Introduction of Aqua Premium (Projected reduction: 10,200 t-CO₂)

We will introduce Aqua Premium, an electricity rate plan under which only CO₂ emissions-free hydropower is sold, to purchase a portion of the electric power used at the Main Plant in Gunma and Tokyo Office in Mitaka. This is projected to reduce emissions by approximately 10,200 t-CO₂ (annual output: 21 GWh equivalent).

3 Utilization of Green Power Certification (Projected reduction: 1,000 t-CO₂)

At the Head Office in Ebisu and the Subaru Training Center in Hachioji, we aim to realize CO₂ emissions-free offices by utilizing the Green Power Certification and Green Heat Certification systems.

Existing initiatives

4 Installation of One of Japan's Largest Captive-Consumption Solar Power Systems (Projected reduction: 2,600 t-CO₂)

We are installing a solar power system that will be among the largest captive-consumption solar power systems in Japan¹ at the Gunma Oizumi Plant (Gunma Prefecture).

The facility, which will have expected power output of approximately 5.6 MW (generating 6,100 MWh of electricity annually), is scheduled to be completed and start operation by FYE March 2020. This is projected to reduce emissions by approximately 2,600 t-CO₂, equivalent to some 2% of the plant's annual CO₂ emissions.

5 "Tochigi Furusato Denki" Program for Local Production and Local Consumption of Electricity (Projected reduction: 5,400 t-CO₂)

In April 2018, we introduced the Tochigi Furusato Denki program², Japan's first program for local electricity production and consumption, which uses a hydropower plant owned by Tochigi Prefecture as a power source, at the Aerospace Company Utsunomiya South Plant and 2nd South Plant (Tochigi Prefecture).

Participation in the program is projected to reduce emissions by approximately 5,400 t-CO₂, equivalent to some 15% of the SUBARU Aerospace Company's total annual CO₂ emissions. Under the program, part of the electricity charges paid by SUBARU will be used for environmental protection initiatives in Tochigi Prefecture.

¹ Based on a study by Japan Facility Solutions, Inc.

² A program offered by the Tochigi Prefecture Public Enterprise Bureau and TEPCO Energy Partner, Inc. to provide electric power generated by eight hydroelectric power plants owned by Tochigi Prefecture that emit no CO₂ during power generation. Participating companies are able to eliminate CO₂ emissions associated with their electricity usage.

For further information, please see the program website (in Japanese): http://www.pref.tochigi.lg.jp/j03/furusato/furusatodenki_top.html

Principal Risks and Opportunities Relating to Climate Change

Approach to Risks and Opportunities

Failure to take climate change countermeasures would seriously affect SUBARU's markets in Japan, North America, and elsewhere, and SUBARU would be unable to continue business operations. SUBARU has set a level well below 2°C, in line with the purpose of the Paris Agreement, as a long-term temperature increase goal and is analyzing short-term and medium-term scenarios for achieving the goal, taking into account various factors.

We are considering various product scenarios, keeping in mind the fuel efficiency regulations determined by national governments in the countries where we do business and comprehensively taking into consideration factors such as the electrification scenarios of the International Energy Agency (IEA) and related governments, progress with electrification in the automotive markets, the status of social infrastructure development, technologies capable of withstanding actual use by customers, securing of reasonable profits, and progress with decarbonization in upstream and downstream product processes.

We have prepared FYE March 2031 targets related to production, taking into consideration factors including Japan's Nationally Determined Contribution (NDC), stability of supply and procurement prices of low-carbon energy in Japan and the U.S., progress with the energy mix promoted by the Japanese government, and carbon pricing. We are currently formulating initiatives (an Environmental Action Plan) based on energy conservation activities, which takes into consideration the installation of energy-saving equipment and the introduction of renewable energy.

Principal Identified Risk*

● Product-Related Risks

- 1) Failure to comply with fuel efficiency regulations in Japan, the U.S., Europe, or China could result in negative incentives, such as penal or administrative fines for violation of laws and regulations or carbon credit purchases, and SUBARU could incur additional costs or losses. Also, failure to reach a certain level of fuel economy could limit product sales opportunities.
- 2) Rapid electrification of vehicles that does not meet customer needs could cause SUBARU to incur unnecessary development costs not aligned with needs or cause a decrease in customer satisfaction, which could lead to not only unforeseen losses and loss of sales opportunities, but also delays in product electrification.
- 3) In the transition to electrified vehicles, it is important to low-carbonize/zero-carbonize in all processes from procurement through to use and disposal while securing profitability. If overall decarbonization initiatives involving SUBARU products upstream and downstream processes do not progress, SUBARU may be unable to achieve the targets throughout product lifecycles.
- 4) From a medium- to long-term perspective, SUBARU believes that electrification will steadily advance and sudden market penetration might happen at a certain stage. Failure to have appropriate technologies and products in place at that point in time could have a significant impact on product sales opportunities.

● Risks at the Production Stage

- 1) If SUBARU vehicles continue to use energy derived from fossil fuels, SUBARU will be subject to geopolitical factors, such as oil availability, as well as government-imposed carbon taxes or emissions reduction regulations, and costs could rise.
- 2) From a medium- to long-term perspective, SUBARU believes that renewable energy will become mainstream. However, at this time there are issues with respect to cost and stability of supply, and it is necessary to consider cost effectiveness.

● Risks Related to Overall Business Operation

- 1) Insufficient efforts to achieve low-carbon/zero-carbon operations could damage SUBARU's brand value and have an adverse effect on employee recruitment and sales. This could also make it difficult to procure funds from investors over the medium to long term and lead to an increase in the cost of capital.
- 2) Some say that achieving the Paris Agreement's current national emissions targets of below 2°C will not be enough, so if countries adopt more stringent targets, SUBARU's business could be severely affected.

Principal Identified Opportunities*

- 1) If SUBARU's efforts to make products more environmentally friendly and climate change adaptation and mitigation progress on a global scale all appropriately proceed, SUBARU may be able not only to maintain its key markets, but also to gain further support for the safe products that provide peace of mind at which SUBARU excels, and sales opportunities could also increase through the creation of new markets, even in the face of the extreme weather conditions that can not, to some extent, be avoided in certain parts of the world.
- 2) Meeting expectations with respect to climate change could lead to an increase in SUBARU's brand value and have a positive impact on employee recruitment and sales. This could facilitate procurement of funds from investors over the medium to long term and lead to a decrease in the cost of capital.
- 3) Transitioning to renewable energy while taking cost effectiveness into consideration could free SUBARU from the price fluctuation risk inherent in energy derived from fossil fuels and prevent future cost increases.

* The above risks and opportunities are based on historical facts and currently available information and may change significantly due to factors such as future economic trends and the business environment surrounding SUBARU

Risk Management

Status of Development of the Risk Management System

The SUBARU Corporate Planning Department, which is responsible for functions common to each business, plays a central role in efforts by the corporate departments to strengthen risk management in close collaboration with each business unit.

Furthermore, the Internal Audit Department periodically audits business execution at each business unit and affiliated company. In addition, to contribute to development of the internal control system, SUBARU has set up and operates a system and organization to ensure compliance, which is considered the most fundamental aspect of risk management.

To promote the practice of compliance Group-wide, SUBARU has established the Compliance Committee to conduct deliberations and discussions, make decisions on important compliance matters, engage in information exchange and communication, and endeavor to implement compliance fairly and effectively. SUBARU has assigned compliance officers and compliance staff to each business unit and organized a system for meticulously practicing compliance at the workplace level. SUBARU systematically and routinely provides education and training for officers and employees and promotes compliance awareness through in-house publications and other means as necessary. To promote the practice of compliance in the SUBARU Group, SUBARU provides education and training and compliance information through those in-house publications to affiliated companies and increases the effectiveness of compliance by promoting participation in the SUBARU internal reporting system (Compliance Hotline).

Effective April 1, 2019, SUBARU newly established the Risk Management & Compliance Office for the purpose of strengthening initiatives to address legal compliance and corporate culture reform issues facing SUBARU. The Risk Management & Compliance Office, General Administration Department, Group Company Management Department, Sustainability Promotion Department, Legal Department, and Internal Audit Department together constitute the Risk Management Group, which is overseen by the Chief Risk Management Officer (CRMO).

Message from the CRMO



Director of the Board
Executive Vice President
and CRMO

Yoichi Kato

In an organizational change effective April 1, 2019, SUBARU newly established the Risk Management Group and the position of Chief Risk Management Officer (CRMO), who oversees this Group. Although this reorganization is part of efforts to strengthen internal control, which has been strongly required of companies in Japan and abroad since the 2000s, I consider this a matter of particular importance for SUBARU, which was shaken by final vehicle inspection problems. Although to date SUBARU has taken several measures to strengthen internal control, such as establishment of the Corporate Administration Division, by once again clarifying reporting lines concerning risk management and internal control and clearly defining the communication route between workplaces and management, SUBARU is attempting to reduce the sense of distance between them and enhance and strengthen management involvement in internal control, in both form and substance. Since there were serious concerns about the risk management response level under the previous organizational structure, SUBARU newly established the Risk Management & Compliance Office to put in place a system for systematically engaging in Group-wide risk management. SUBARU combined the Risk Management & Compliance Office with the Legal Department, the Sustainability Promotion Department (the former CSR & Environment Department), and other departments closely involved with risk management and with the General Administration Department, which serves as the secretariat office of the Emergency Response Headquarters, to form an organization overseen by the CRMO.

The automotive industry is said to be facing a once-in-a-century transition period. Managing a business in such turbulent circumstances is like navigating a ship in a fog that limits visibility. I believe that at such a time risk management fulfills the role of a sea captain who helps keep the ship on a steady and sure course. I will devote myself each day to ensuring that the Risk Management Group provides guidance to enable maintenance of sustainable management.

Compliance

Basic Approach and Policy

In the Corporate Governance Guidelines, SUBARU has designated the practice of compliance as one of the most important management priorities. We are keenly aware that rigorous Group-wide compliance forms the foundation for the Group's management, and we will instill in each employee not only compliance with all laws, ordinances, and internal regulations required in business activities, but also rigorous pursuit of open and fair business activities that conform to the ethical principles, common practices, and norms of society at large. To link the Corporate Governance Guidelines to action, SUBARU has set up and operates a compliance system and organization and engages in compliance activities, such as various types of training.

Corporate Code of Conduct and Conduct Guidelines

SUBARU has established the Corporate Code of Conduct (see page 02) and Conduct Guidelines as compliance standards for the practice of compliance-oriented corporate activities. In FYE March 2018, we revised the content of the Conduct Guidelines to further promote Group compliance. We explain the Code and Guidelines in detail in the Compliance Manual, which is distributed to all employees of the SUBARU Group, and concisely explain the main points in the Compliance Manual: Compliance Essentials, and strive to ensure compliance in our employees' day-to-day actions.

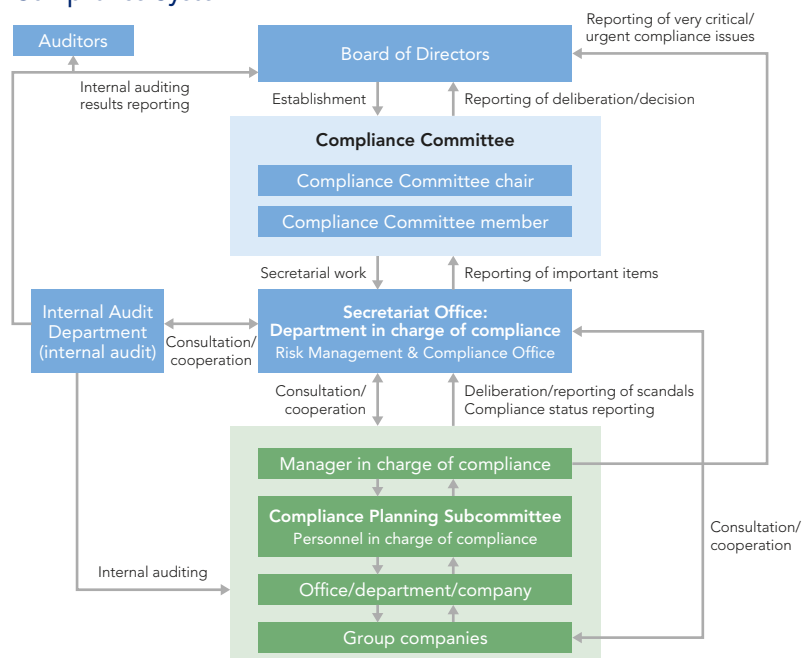
Compliance Regulations

In 2001, with the approval of the Board of Directors, SUBARU instituted the Compliance Regulations as basic regulations that stipulate the system, organization, and methods of operation related to compliance. In FYE March 2019, following deliberation by the Compliance Committee and with the approval of the Board of Directors, we revised the regulations in order to reflect the content of revisions to the Corporate Governance Guidelines and realize flexible operation of the Compliance Committee to ensure more rigorous compliance practice.

Compliance System, Organization, and Operation

SUBARU established the Compliance Committee as a Group-wide committee to promote compliance. The Committee deliberates, discusses, decides, and exchanges information on important compliance matters. Each department institutes its own compliance action plan (compliance program) each year to promote compliance and engages in continuous and systematic autonomous activities. Following the discovery of improprieties relating to final vehicle inspections at SUBARU, in FYE March 2019 the director of the board and chairman became the chairman of the Compliance Committee, and since the start of FYE March 2020 a director of the board and executive vice president who serves as Chief Risk Management Officer (CRMO), a newly established position, has chaired the committee, which is fundamentally reviewing and implementing compliance-related initiatives.

Compliance System



Establishment of the Risk Management & Compliance Office

After deep reflection on the improprieties relating to final vehicle inspections at SUBARU discovered in FYE March 2018, with the aim of preventing any repetition of similar mistakes, in FYE March 2019 SUBARU established the Compliance Office as an independent organization to strengthen company-wide compliance-oriented initiatives. Furthermore, in FYE March 2020 we reorganized the Compliance Office as the Risk Management & Compliance Office, expanding its role to that of a hands-on organization that plans and implements Group-wide internal control and risk management. The Risk Management & Compliance Office principally engages in the following work.

- Planning and implementation of internal control and risk management for the entire SUBARU Group
- Planning and operation relating to compliance promotion for the entire SUBARU Group (including matters relating to the Compliance Committee's secretariat office), planning and operation of compliance training, education, and internal awareness activities, and operation of the SUBARU Group's internal reporting system (Compliance Hotline)

Improvement of the Compliance Hotline System

In addition to seeking solutions through their superiors, regular and temporary employees who work in the SUBARU Group have the option of using the Compliance Hotline to seek consultation about any compliance-related problems they have discovered within the Group.

The Hotline Desk has been set up within the Company, and employees assigned to the Hotline Desk in accordance with internal rules directly accept reports by post, telephone, and e-mail, conduct fact-finding investigations, and respond to reports. The names and departments of persons making reports are kept strictly confidential and are not disclosed without their consent, and consideration is given to ensuring that they suffer no disadvantage due to the consultation. Since April 2008, we have added an external specialist organization as a point of contact and worked to make the system easier to use by extending its hours and reinforcing the mechanisms that ensure the confidentiality of the names and departments of persons seeking consultation. To publicize the Compliance Hotline System, we have distributed cards that provide information on how the hotline system works and contact details to employees of SUBARU and Group companies and put up posters in workplaces. We have included an explanation of the service provided by the external specialist in the posters and also posted information on the Company intranet.

Compliance Hotline (from Consultation to Solution)



Compliance Hotline card

The Compliance Hotline received 199 consultation requests in FYE March 2019, and the general manager of the Compliance Office (or, since FYE March 2020, the general manager of the Risk Management & Compliance Office due to a change of organization name) played a central role in efforts to expeditiously solve problems following fact-finding investigations. Matters reported to the Compliance Hotline are reported to management or the Compliance Committee as necessary, and measures are taken to prevent any reoccurrence of problems.

In FYE March 2019, we redesigned the awareness card and posters to include the message that SUBARU wants employees to use the Compliance Hotline system to report even minor matters if they feel that something is wrong. We also provided various types of compliance training and prepared and distributed compliance-related tools. Thanks to these initiatives, operation of the system improved, with efforts to increase employee compliance awareness, including encouraging a mindset of actively using the system, leading to increases in the number of consultation requests from employees and in the number of reports that lead to an appropriate response and solution.

Compliance Activity Achievements

Compliance Training

In the belief that the entire SUBARU Group must work in harmony to achieve rigorous compliance, we provide compliance training and practical legal training to employees of all Group companies. This training is organized by the Legal Department, Risk Management & Compliance Office, and human resource and education departments. Each department and affiliated company incorporates its own education program into its action program (compliance program) and complements this education by holding study meetings on important work-related laws and ordinances and providing compliance awareness training conducted by Legal Department and Risk Management & Compliance Office personnel and others. In FYE March 2019, some 7,700 persons participated in these training programs organized or supported by the Legal Department and Compliance Office (reorganized as the Risk Management & Compliance Office in April 2019).

SUBARU prepares and provides various support tools to promote the day-to-day practice of compliance, including tools specifically intended for affiliated companies such as SUBARU distributors in Japan. In addition, we distribute urgent information on a timely basis in the form of Compliance Information and work to raise compliance awareness Group-wide. In FYE March 2019, we provided Compliance Awareness Training for SUBARU Group managers, shared information on the causes and background of the occurrence of improprieties relating to final vehicle inspections at SUBARU, and promoted measures in each department to prevent the occurrence of similar improprieties. We also expanded the scope of company-wide compliance education provided to managers every year in October, which is designated as Compliance Month, to section heads and other employees and implemented initiatives to broaden the base of compliance. Furthermore, in FYE March 2019 we newly prepared the Compliance Manual: Compliance Essentials as a tool to contribute to the practice of compliance-oriented corporate activities and distributed it to all employees of the SUBARU Group.



Compliance training (Tokyo Office)



Compliance Manual: Compliance Essentials

Approach to Quality

To make SUBARU a company that is trusted by, and resonates with, customers through the provision of “Enjoyment and Peace of Mind,” under the banner of a new quality policy and with Quality First as our watchword, all SUBARU employees actively promote the provision of high-quality products and services that inspire customers. In addition, SUBARU’s affiliated companies in Japan and overseas establish quality policies in accordance with the business content of each company and regional characteristics and carry out quality control based on these policies.

Message from the CQO



Executive Vice President
and CQO

Atsushi Osaki

Quality is the foundation of “Enjoyment and Peace of Mind,” SUBARU’s core value, and delivering quality is one of our most fundamental responsibilities to our customers. Quality can be broadly defined to include everything from product quality to customer service quality, the quality of the day-to-day work of individual employees, and the quality of corporate activities, and it is important to steadily improve these dimensions of quality. To ensure that SUBARU moves forward with the creation of high-quality products that are attuned to customer lifestyles and further enriches people’s lives and with improvement of service quality, I intend to play a leading role in instilling a standard so that SUBARU Group employees make quality the highest priority above all else.

Airbag defects and other problems that lead to recalls and service campaigns have continued to occur, and I deeply regret that we have caused concern and inconvenience to our shareholders, customers, and many other stakeholders. Although we have seen steady improvement in the results of third-party quality assessments for the U.S. market, our relative quality ratings in comparison with other automakers are regrettably declining, and I consider this a critical issue.

In response to these problems and issues, in new vehicle development we aim to eliminate recalls and service campaigns by further reinforcing milestone management at each stage of development and systematically working to prevent any reoccurrence of past defects. We will make high-quality products that are easy for customers to understand and use, taking into account customer usage conditions, and simultaneously work to minimize vehicle downtime and increase customer satisfaction by undertaking call center expansion, building a system for the smooth provision of replacement parts and repair parts, and improving efficiency in service operations.

Quality reforms are a top priority in STEP, SUBARU’s mid-term management vision. For this reason, we are reviewing all business processes, from product planning and parts procurement by supplier to production and shipping at our plants, and implementing reforms. To ensure that the departments involved in these processes do not waver in the philosophy that quality is key, we will also strengthen the authority of the CQO and rigorously reinforce quality management systems across all product development and manufacturing functions.

In addition, we will invest in facilities for quality-related technology development, in simulators and other control-related evaluation facilities, and in facilities with modifiable temperature and atmospheric pressure control for environmental and durability evaluation. In manufacturing, whereas until now we have made capital expenditures mainly for the purpose of increasing capacity, from now on we will invest heavily in the renewal of aging facilities and the enhancement of traceability to raise the level of quality, while also utilizing IoT. We will actively invest in areas that contribute to quality improvement, including human resources investment, and aim to be No. 1 in the kind of quality that makes our products suitable for long-term use with peace of mind.

Initiatives to Instill the Mindset that Quality is the Top Priority

SUBARU is continuing various initiatives to promote a change of mindset and behavior on the part of each individual employee for the purpose of making quality the highest priority. A prime example of these initiatives is the Quality Policy revision implemented in April 2019.

Quality Policy

At SUBARU, quality is our highest priority as we earn the trust of our customers.

1. We will deliver long lasting products that our customers can use with peace of mind.
2. We will continually improve our products and services by always listening closely to our customers' voice.
3. We will be a good corporate citizen in all markets where we do business by ensuring compliance with all internal rules, local laws, regulations and social norms.

Revised in April 2019

Points of Emphasis in Revising the Quality Policy			
Communicate the powerful message that "Quality is important above all else"	Align the direction and focus of all activities toward customers	Promote a change of mindset and behavior by engaging with individuals in an easy to understand way	Clearly express the importance of compliance

Under the leadership of top management, all employees will apply this policy in their day-to-day work.

In addition to this revision to the Quality Policy, SUBARU will continue the following activities that support quality reforms.

1. Education activities involving periodic posting of quality reform-related articles in Shuho, SUBARU's in-house magazine
2. Holding of a "Quality Caravan" event in November (designated as Quality Month) to directly convey SUBARU's quality situation and customer feedback to employees at all business sites and to suppliers, beginning in FYE March 2019
3. Addition of a quality awareness course to the employee level-specific education curriculum, beginning in FYE March 2020

Through these activities, we are working to foster among employees the mindset that quality is the highest priority. Although we believe that employees' quality awareness has steadily increased due to these initiatives, we will thoroughly inculcate this quality-first mindset and ensure that it is not transitory.

Quality Management System

1. Establish Quality Management System (QMS) based on the Quality Policy and ISO9001 Standard and put it into practice for orderly and effective operations.
2. Aim to increase customer satisfaction by ensuring conformity with customer requirements and legal and regulatory requirements.
3. Undertake continuous improvement of the QMS through business process improvement.

Operation of Quality Management Cycle

With its QMS, SUBARU works to assure quality in each process from design and development to sales as well as creating a cycle to create even higher quality products. In addition, SUBARU strives to work through this cycle swiftly in order to meet customer needs without any delay.

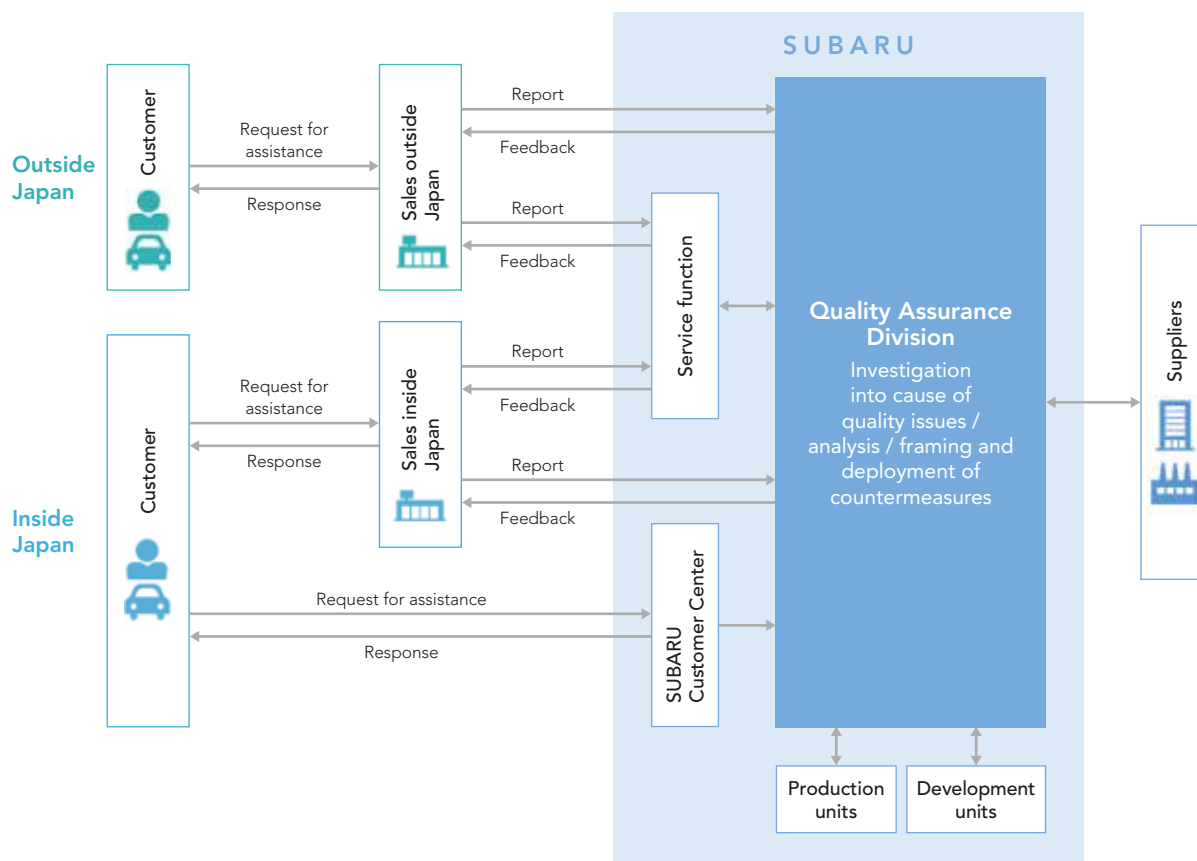
Quality Management Cycle



Development of a System for Improving Quality

SUBARU has established a quality improvement system centered on the Quality Assurance Division in order to analyze after-sales quality defects and customer requests to realize higher-quality development and production. On the basis of customer feedback collected from around the world, SUBARU is identifying quality-related issues, investigating causes, and formulating countermeasures together with relevant departments and suppliers.

Quality Improvement System



Human Resources

Approach to Human Resources Development

In STEP, the mid-term management vision, SUBARU set forth the vision "From a company making things, to a company making people smile." As part of realizing this vision, we consider human resources development a critically important priority. We assist highly motivated employees in pursuing individual growth by utilizing a personnel system that consists of occupational skill certification programs, a performance assessment system, a goal management system, personnel rotation, and an education and training system as a tool for the development of human resources. In addition, SUBARU's affiliated companies in Japan and overseas promote initiatives in accordance with the business content of each company and regional characteristics.

Approach to Diversity

For SUBARU Group to continue offering customers its unique value, each SUBARU employee needs to be able to express his or her unique abilities as an individual with various values and characteristics. This is why the SUBARU Group values diversity in gender, nationality, culture, lifestyle, and other attributes and strives to create workplace environments where everyone finds it comfortable to work. In addition, SUBARU's affiliated companies in Japan and overseas promote initiatives in accordance with the business content of each company and regional characteristics. We established the Diversity Promotion Office in January 2015 to promote diversity at SUBARU even more proactively. The office has designated "promoting active roles of female employees," "employing people with disabilities," "planning and promoting employment of non-Japanese," and "promoting employment of the elderly" as priority themes. Among them, SUBARU has placed particular emphasis on efforts to promote active roles of female employees.

Approach to Work-Life Balance

The SUBARU Group believes that it is important to create an environment that increases employee job satisfaction and enables individuals to fully demonstrate their abilities so that our employees can bring smiles to the faces of customers.

SUBARU respects employee diversity, promotes diversity in work styles to achieve work-life balance, and is enhancing programs that support a healthy work-life balance. In addition, SUBARU's affiliated companies in Japan and overseas promote initiatives to support work-life balance in accordance with the business content of each company and regional characteristics.

Approach to Ensuring Respect for Human Rights

SUBARU states "We respect the rights and characteristics of individuals" in the Corporate Code of Conduct (see page 02), and we respect the human rights of all stakeholders involved in our business activities. To enable employees to fully demonstrate their individual abilities, we pursue diversity in gender, sexual orientation (LGBT status), age, nationality, culture, and lifestyle. Our basic approach to ensuring respect for human rights is to strive to create safe and comfortable workplace environments within the SUBARU Group and our supply chains, which includes zero tolerance of forced labor and child labor.

Diversity

Promoting Active Roles for Female Employees

SUBARU set a 2020 target of increasing the number of female managers by at least five times the number in 2014, and we expect to achieve this target by April 2020. (The number of female managers at SUBARU Corporation was four in 2014 and is 18 as of April 2019.) We have now set a new 2025 target of increasing the number of female managers by at least 12 times the number in 2014, and we are further strengthening initiatives to develop female managers.

Support for Women's Career Development

In addition to a mentoring program for female managers and manager candidates, SUBARU has provided career advancement training for female team leaders since FYE March 2017 for the purpose of systematically developing the next generation of female manager candidates. In FYE March 2019, 46 female employees received the training. We plan to further step up personnel rotation, which expands the scope of employees' work and contributes to personal growth.

We have also instituted a rehiring assistance program for employees who left the company for unavoidable reasons, such as the job transfer of a spouse. We began candidate registration in FYE March 2010, and to date 10 employees have utilized this program to return to work.

Initiatives at Special Subsidiary SUBARU Bloom Co., Ltd.

SUBARU Bloom Co., Ltd., which obtained accreditation as a special subsidiary in FYE March 2015, continued to actively engage in the employment of persons with disabilities in FYE March 2019. As of April 2019, 67 employees and 17 instructors engage in cleaning work at SUBARU's employee dormitories and plants.

In addition to employing persons with disabilities, in FYE March 2019 SUBARU Bloom once again actively welcomed people from nearby areas for visits and tours and, at the request of the Gunma Prefecture Board of Education, introduced its initiatives to persons involved in local special needs education. Since FYE March 2017, SUBARU Bloom has been registered as a Supporter Company for Employment of People with Disabilities, which is a program for cooperating companies that actively promote employment of persons with disabilities that is sponsored by the Department of Employment Support for People with Disabilities of Gunma Prefecture.

Going forward, SUBARU Bloom will continue efforts to improve the management stability and work quality of special subsidiaries while expanding its network with other companies involved in employment of persons with disabilities. True to its name, SUBARU Bloom will aspire to be a company that helps the individuality of every employee to bloom and strive for increased employment, retention, and community contributions.

Initiatives for Non-Japanese Employees

SUBARU recruits both new graduates and mid-career employees regardless of nationality, and employs foreign nationals as regular employees and temporary workers. We translate safety and quality policies, work procedure manuals, and other documents into multiple languages to promote understanding by non-Japanese employees. In particular, the Gunma Plant, which employs many foreign nationals, retains interpreters for English, Portuguese, Tagalog, Spanish, and Chinese to facilitate communication with non-Japanese employees.

SUBARU provides language training and overseas training for Japanese employees and engages in initiatives to enhance employees' ability to communicate with people from other countries and understand cultures different from their own. International personnel exchanges also help energize SUBARU's corporate culture and contribute to securing human resources.

SUBARU appropriately manages the Technical Intern Training Program for foreign technical interns. We engage in safety- and quality-based initiatives that contribute to the success of technical interns after they return to their home countries. Overseas business sites and affiliated companies independently recruit human resources and strive to secure personnel suited to their specific policies and businesses.



Certificate for Supporter Company for Employment of People with Disabilities (sponsored by Gunma Prefecture)



Manual translated into five languages

Work-Life Balance

Initiatives for Work-Style Reform

SUBARU's Status of Compliance with the Work-Style Reform Act*

Category	Details
Accurate monitoring of working hours	Introduction in July 2018 of a company-wide attendance system with centrally managed electronic records (PC log-in and time-card recording of entry and exit times) to enable accurate monitoring of working hours
Promotion of utilization of 5 days of annual paid leave	Start of an initiative covering all employees in FYE March 2019. Goal of achieving utilization of at least 5 days of leave within 7 months of granting of leave by employees newly granted 10 days or more of leave. Institution of an operating rule to ensure utilization of 5 days by all employees
Maximum limit on overtime work	Establishment and operation of a more rigorous standard than required by law (maximum of 590 hours per year and 79 hours per month)
Increase in the pay rate for overtime work exceeding 60 hours per month	In compliance since FYE March 2011

* The Work-Style Reform Act is a law passed in June 2018 to amend labor-related laws for the purpose of promoting work-style reforms

Initiatives to Reduce Long Working Hours

SUBARU has created an environment to reduce long working hours through measures such as the introduction of a flextime work system and designation of regular-hour business days (no-overtime days). In addition to the previous designation of no-overtime days, in FYE March 2016 we began to designate at all business sites an "ultra no-overtime day" on which all employees, including managers, leave work at a set time. In FYE March 2018, we began the practice of locking the doors to the work floors at 10 pm to ensure that employees leave work, mainly at the Gunma Plant and for the Tokyo Office development departments. In FYE March 2019, we expanded the scope of this initiative to include all back-office departments at the Gunma Plant. Clearly indicating the maximum overtime hours permitted has increased employee awareness of work hours.

Assistance with Balancing Work and Childcare

SUBARU believes that it is important to create an environment that enables employees to continue their careers with a sense of security, without having to leave employment because of childcare, and has instituted support systems that meet or exceed statutory requirements to achieve a balance between work and childcare. SUBARU has stipulated that the childcare leave system can be extended to the end of the first April after a child turns two years old, and has also made the short work-time system for childcare available until the start of a child's fourth grade of elementary school, while making it possible to use the system together with flextime (core time of two hours). This policy has had a tremendous effect in back-office departments, where now nearly no one leaves employment due to childcare. We are currently stepping up initiatives to assist employees in pursuing career advancement while balancing childcare and work.

SUBARU believes that it is necessary for the Gunma Plant to create a workplace environment that enables shift workers in production who return to their jobs after childcare leave to work with peace of mind. In FYE March 2019, on a trial basis, we opened an on-site conference room for use by a qualified childcare worker to provide early morning daycare until the daycare center opens. We introduced this system on a full-scale basis in FYE March 2020.

We explain the content of these support systems in level-specific employee training and are publicizing the existence of various systems and promoting their use through the Maternity Leave and Childcare Handbook on the intranet.

Number of Employees Taking Childcare Leave (SUBARU non-consolidated)

Measure	Overview	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019
Leave system available to employees caring for children	Childcare leave (persons)	Male	2	6	8	10
		Female	91	101	88	88
		Total	93	107	96	98
	Rate of returning to work after childcare leave (%)	Male	100	100	100	100
		Female	98	98	97.5	97.5
	Retention rate one year after returning to work (%)	Male	100	100	87.5	83.3
		Female	98.9	95	100	97.2

Respect for Human Rights

Activities to Raise Awareness of Human Rights

SUBARU's Conduct Guidelines (see page 49) clearly state, "We do not unfairly discriminate on grounds of gender, LGBT status, age, place of birth, nationality, race, ethnicity, beliefs, religion, social status, physical disability, disease, or any other pretext." In order to raise awareness regarding respect for human rights, since FYE March 2016 we have deepened understanding of the need for diversity and SUBARU's diversity initiatives through new employee training and manager training. In FYE March 2019, we held 10 training sessions attended by 435 employees.

Preventing Harassment

To prevent all forms of harassment, SUBARU has prohibited harassment in the Rules of Employment and instituted guidelines. To prevent workplace harassment, we have prepared the Explanatory Booklet on Workplace Harassment and informed all SUBARU employees of it. In addition, we have distributed to all managers and supervisors the Workplace Harassment Prevention Handbook, which contains precautions and suggestions for creating workplaces free from harassment.

SUBARU has prepared an environment for all employees, including employees of Group companies, to seek consultation and advice by establishing the Compliance Hotline and Harassment Hotline, which provide internal and external points of contact for consultation about harassment. By creating easily accessible systems, we encourage employees to feel free to seek consultation and strive for the early detection and resolution of problems.