

SUBARU's human-oriented mono-zukuri enriches the lives of our customers and contributes to society by providing "Enjoyment and Peace of Mind" to our stakeholders.

## Tomomi Nakamura

Representative Director of the Board  
President and CEO

### Profile

Joined SUBARU in 1982. After working in Japan Sales & Marketing Division, Global Marketing Division, and other units, he served as Vice President, Senior General Manager of Strategy Development Division, and Chief General Manager of Corporate Planning Division from 2011; Senior Vice President, Chief General Manager of Overseas Sales & Marketing Division 1, and Chairman and CEO of SUBARU of America, Inc (SOA) from 2014; as well as Executive Vice President, Chief General Manager of Overseas Sales & Marketing Division 1, and Chairman and CEO of SOA from 2016. He has served as Representative Director of the Board, President and CEO since June 2018.

Under the principle of "Think independently and enjoy your work," he has led SUBARU towards the company's vision "From a company making things, to a company making people smile."

## The Origins of SUBARU

**Q.** What are the values that SUBARU has consistently maintained?

**A.** By using the technological capabilities inherited from aircraft manufacturers, we have given top priority to safety since our founding, and have been thoroughly pursuing human-oriented monozukuri to respond to the wishes of the customers who use our products.

The SUBARU Group's roots as a manufacturer are in aircraft manufacturing. Our engineers have always been inspired with a strong determination to ensure the safety of pilots and have worked with pilots to achieve the best possible combination of safety and performance. The starting point for everything that SUBARU does is human-oriented manufacturing, which we define as a consideration for the physical and mental wellbeing of everyone who operates our products. This philosophy lives on in our monozukuri (car-making) activities. Our relentless efforts in every era to perfect the most essential functions of a car—driving, turning, and stopping—are reflected in our unique engineering know-how, including their all-around safety performance.

When I first joined SUBARU in 1982, the company was more technology-oriented than it is today. We worked to improve our technologies, including Horizontally-Opposed Engine and Symmetrical All-Wheel Drive (AWD). Our philosophy back then was that if we produced good cars, customers would buy them, and we worked hard to promote the functional value of our products. For many years, we were unable to expand our sales volume and we were just a brand that was supported by a limited number of SUBARU fans who shared our philosophy.

We began to adopt a clearer focus on customer perspectives after Ikuo Mori became CEO in 2007. We were also trying to make North America our key market, and in order to strengthen our sales system, we needed to know our customers better and pay closer attention to customer input. Under the mid-term management plan for the period from fiscal year ended (FYE) March 2008 to FYE March 2011, we changed the concept to "Everything for the customer" with the customer-first principle as a core strategic focus. We also made a decisive course change toward the prioritization of selection and concentration, added value, and differentiation. This basic philosophy has remained unchanged in our mid-term management plans for the past 10 years.

To broaden our customer base and achieve growth as a global brand, we clarified both our business strategies and the SUBARU brand. People within the company already had tacit knowledge of the qualities that made SUBARU unique, and this knowledge would sometimes be reflected in people's comments, when they suggested, for example, that a certain feature was inappropriate for SUBARU vehicles. We initiated an intensive debate about SUBARU's core characteristics, leading in 2010 to the identification of "Enjoyment and Peace of Mind" as the values that the SUBARU brand delivers to customers.

During that time, there was a growing tendency for customer's preference in cars with superior safety performance. Customers gradually began to understand the values of "Enjoyment and Peace of Mind," and to resonate with SUBARU qualities, such as smooth driving, safety, and ease of driving.

At the SUBARU Technology Briefing in January 2020, I said that safety is beyond mere safety and encompasses compassion for beloved families and friends; longevity is beyond mere durability and long service life but also refers to a driver's attachment after long years of usage and SUBARU as a medium of connection to past memories; adventure and versatility relate not only to ease of use, but also refers to the enrichment of life and leisure time. A notable feature on social media is the prevalence of photographs showing SUBARU owners with their families, and their pets and their cars.

Customers come to feel life-enriching benefit, not just functional values in a Subaru. I believe that SUBARU is unique because our products become part of people's lifestyles and provide values that other brands cannot. This view is not based on solely my perspectives as CEO. It is also shared by our employees. The fact that our employees have the same perceptions of the uniqueness of SUBARU is both an asset and a source of strength for us. The continuing mission of every SUBARU employee is to take action to meet the customers expectations.



- SUBARU technology briefing news release
- SUBARU technology briefing presentation materials

Growth Strategy—the STEP Mid-term Management Vision

**Q.** What growth initiatives will you implement under STEP, the mid-term management vision?

**A.** We have identified corporate culture reform, quality reform, and launching the “Make-a-Subaru” project as the key priorities to ensure the sustainable growth of the SUBARU Group. Over the past two years we have focused on corporate culture reform and quality reform in particular. Going forward, we will make further progress toward ensuring our survival amid a major shift to electric vehicles by launching the “Make-a-Subaru” project and enhancing alliances to achieve high quality and high added value while reducing costs.

I was stationed in the United States from 2014 at a time when the SUBARU Group was achieving rapid growth in net sales and the number of vehicles sold. I was constantly thinking about the factors that could halt our record-breaking growth in sales in the U.S. market. From around 2016, we began to see signs that this rapid growth trend was starting to deteriorate. We also started to encounter defects of types that we had never seen before, and in 2017 we experienced quality issues that included problems with completion inspections, and major recalls.

After taking office as CEO in 2018, I announced the STEP, the mid-term management vision, covering the period from FYE March 2019 to FYE March 2026. Our focus as we put together this vision were the issues that had been on my mind constantly during my time in the United States as obstacles to our achievement of sustainable growth. Rapid growth had highlighted problems with quality and our organizational culture and we decided to prioritize reforms in these areas, together with launching the “Make-a-Subaru” project, with the aim of improving both quality and added value while reducing costs, in anticipation of an era in which a significant percentage of vehicles will be electrically powered. We adopted a vision for 2025 calling for SUBARU’s evolution “From a company making things, to a company making people smile.”

Quality reform is our most important and urgent issue as we work to restore the trust of customers who love the SUBARU brand. The reform of our organizational culture is also a priority because of the need to foster a quality-focused culture. We have made steady progress on these reforms over the past two years, and I believe that our employees are also beginning to experience real changes. SUBARU is supported by both loyal fans and many customers, and I am confident that these reforms will enable us strengthen our reputation with these customers.

As the automobile industry goes through a major transition, another vital part of our efforts to enhance SUBARU’s key characteristics for a sustainable growth is to enhance our alliances. In September 2019, we reached to an agreement on a new capital alliance built on the relationship that we have developed with Toyota Motor Corporation over the past 15 years. In order to meet the needs in new areas, such as CASE<sup>1</sup> technologies, we should work to create ever better cars by collaborating with people who share the same high aspirations rather than trying to do everything ourselves. Since concluding an agreement on business collaboration with Toyota in 2005, we have built a relationship of trust while achieving significant benefits in many areas, including the joint development of vehicles. We have decided to take this relationship to a new level by strengthening the bonds between SUBARU and Toyota through reciprocal shareholdings. Going forward we will work closely together toward a number of goals, such as the joint development of battery electric vehicles model (BEV) and a platform dedicated to BEVs.

<sup>1</sup> An acronym of the words: Connected, Autonomous, Shared & Services, and Electric



## Value Creation Infrastructure

**Q.** What are your views on the role of corporate governance and risk management in supporting sustainable growth?

**A.** Continual efforts to build a strong management infrastructure are essential to sustainable growth. We run meetings of the Board of Directors in ways that facilitate open discussion, especially by outside directors. In addition, we have formulated a succession plan that emphasizes the continual training of future management personnel. We also recognize risk management as a vital part of our preparations for future uncertainties in the business environment.

To achieve continuous growth while meeting the expectations of customers and other stakeholders in a rapidly changing environment, the SUBARU Group must work continuously to build a strong management infrastructure with the emphasis on diversity. Our basic policy on the selection of outside directors is to appoint people with practical business experience, especially in manufacturing industries. As a result, our outside directors have specialist knowledge spanning a wide range of fields. My experience of our Board meetings has been that members are able to engage in extremely open debate, especially on matters relating to corporate governance and medium- to long-term strategies. Outside directors put forward a variety of views on future strategic directions in relation to matters discussed at executive meetings and in other forums. In June 2020, we appointed Miwako Doi as our first female outside director and she brings specialist knowledge to our Board meetings, as well as gender diversity. We will continue to prioritize free and open exchanges of views at meetings of the Board of Directors.

We also place considerable importance on the continuous training of future management personnel. When selecting officers from within the company, we always consider their performance each year and their career paths over the next three years. In FYE March 2020, we spent considerable time discussing the succession process for the CEO. We decided to deepen the discussion, while formulating and implementing a CEO succession plan, including a definition of the ideal profile for the CEO of the SUBARU Group.

We have also prepared for future uncertainties by establishing strategic risk management systems designed to minimize the impairment of corporate value. In the FYE March 2020, we established the position of the Chief Risk Management Officer (CRMO). Under the leadership of the CRMO, the Risk Management & Compliance Office monitors the emergence of risks that could affect the SUBARU Group as a whole, takes action to prevent the widespread effect of such risks, and enhances the effectiveness of countermeasures. This work has focused in particular on measures relating to the COVID-19 pandemic. In early February 2020, when the disease was just beginning to spread, we established a COVID-19 Countermeasures Task Force and created systems to minimize the impact by preventing new cases and taking immediate action to minimize the spread when infections occurred. We are continuing to gather information and implement preventive measures, while giving first priority to the health and safety of our employees, customers, and suppliers.

In FYE March 2021, we will continue to review our systems with the aim of ensuring that each department can respond to risks independently, by further enhancing the effectiveness of our risk management measures, by identifying risks, ascertaining the level of impact, and by implementing countermeasures.



COVID-19 countermeasures at SIA (U.S.)



Preventive measures against the spread of COVID-19 at a dealership in Japan

Outlook for FYE March 2021

**Q.** Uncertainty has increased as a result of the COVID-19 pandemic, but what is your outlook on the financial results and dividends for FYE March 2021?

**A.** We aim to achieve operating profit of 80.0 billion yen (at 105 yen/U.S. dollar). This assumes that there will be a significant recovery in automobile sales in the second half of the fiscal year, especially in our key market of the United States. The situation remains uncertain, but management is determined to overcome the present challenges and achieve a recovery in FYE March 2022.

Our full-year forecast for FYE March 2021 is revenue of 2,900.0 billion yen and operating profit of 80.0 billion yen, based on consolidated automobile sales of 900,000 units and an exchange rate of 105 yen to the U.S. dollar. It remains difficult to predict future trends, including the timing for a lessening of the COVID-19 pandemic, and the impact of the pandemic on economic and social activities and consumer confidence. However, we have set these targets on the assumption that automobile demand will recover to a certain level toward the second half of the fiscal year, especially in the U.S., its largest market. These targets will not be easy to reach amid the present uncertainty, but management is determined to attain them as a step toward a turnaround in FYE March 2022.

We have adopted a performance-linked dividend policy. We aim to provide stable, sustainable dividends while reflecting the business performance of each fiscal year, investment plans, and the business environment. Based on a comprehensive assessment of our performance forecasts for the current fiscal year, the uncertain outlook for the business environment because of the global COVID-19 pandemic, our future funding requirements, and other factors, we plan to pay a dividend of 56 yen per share, consisting of interim and final dividends of 28 yen each. In the spirit of sharing the burden of stakeholders affected by the continuing reduction of dividends since last year, officers are voluntarily returning compensation for last year and this year. The SUBARU organization will continue to work toward the successful implementation of group-wide reforms needed to reach our targets for FYE March 2021.



● Latest Results and Forecast

**Fiscal-year Plan**  
**Consolidated Automobile Unit Sales and Complete Car Production/**  
**Consolidated Profit Plan**

(Thousands units)

	Result for FYE March 2020	Plan for FYE March 2021	Variance
Consolidated unit sales Total	1,033.9	900.0	-133.9
Complete cars production Total	1,030.9	880.0	-150.9

\*Production figures include Toyota 86.

(Billions of yen)

	Result for FYE March 2020	Plan for FYE March 2021	Variance
Revenue	3,344.1	2,900.0	-444.1
Operating profit	210.3	80.0	-130.3
Profit before tax	207.7	87.0	-120.7
Profit for the period attributable to owners of parent	152.6	60.0	-92.6
Exchange rate (Yen/US\$)	¥109	¥105	-¥4
Annual dividend per share (Yen)	¥100	¥56	-¥44
Dividend payout ratio	50.3%	71.6%	21.3%

## Our Path to Further Growth

**Q.** To conclude, what message do you have for the stakeholders?

**A.** By taking new changes as opportunities to further refine the SUBARU brand and provide “Enjoyment and Peace of Mind” to customers and other stakeholders, we aim to shift “From a company making things, to a company making people smile.”

SUBARU is a brand that has been fostered and supported by customers. While fulfilling the most essential need of protecting people’s lives, our cars also incorporate the essential functions—driving, turning, and stopping—with unique values that only SUBARU can offer. These values turn every trip somewhere into a wonderful and memorable experience, and these values will always remain.

As a result of the COVID-19 crisis, our customers became keenly aware of the importance of enjoying the day-to-day living and enjoyment of everyday life. I see this as a perfect chance to demonstrate the presence of the SUBARU brand, and I am constantly telling our employees to face the challenging COVID-19 situation and enhance the value of our brand.

To strengthen our brand and pull through the uncertain times ahead, we must also have the courage to make changes, while continuing to preserve the qualities that make SUBARU unique. Major transformations in the automobile industry, such as CASE technologies and mobility as a service (MaaS), and the continuing evolution of business processes and workstyles that we are experiencing are positive changes that enables us to accelerate reforms under STEP, and to take up the challenge of decisive self-transformation.

One thing that will never change in this new era is our commitment to the human-oriented manufacturing. We will continue to strengthen the SUBARU brand by matching our products to the lifestyles of our customers. As we move forward with our evolution “From a company making things, to a company making people smile,” we will continue to contribute to the society by providing “Enjoyment and Peace of Mind” to our customers and our stakeholders.

We look forward to the continuing support of our stakeholders.



Tomomi Nakamura at the 46th Tokyo Motor Show 2019



**Toshiaki Okada**

Director of the Board,  
Executive Vice President and CFO

**We will focus on improving our corporate value by overcoming the current difficult business environment, by implementing quality reforms, and by advancing the Make-a-Subaru project.**

### **Business Performance in FYE March 2020**

Continuing trade problems and other factors caused the world economy to slow in the year ended March 2020 (FYE March 2020). However, we maintained firm performance trends thanks to a strong trend in personal consumption expenditure driven by a positive employment and income environment in the U.S., which is a key market for the SUBARU Group. In Japan, falling exports, natural disasters, and other factors caused declines in capital investment and domestic demand, resulting in a continuing weak trend in personal consumption expenditure. The global economic outlook became increasingly uncertain amid the global slump triggered by the spread of COVID-19 that began in January 2020.

In these circumstances, consolidated unit sales in FYE March 2020 increased by 33,000, or 3.3%, to 1.034 million units. Sales in overseas markets increased by 43,000 units, or 5.0%, to 908,000 units, in part because of continuing strong sales of the Forester, which underwent a full model change in the second half of 2018, and the new Ascent in the key U.S. market. Sales in the Japanese market decreased by 10,000 units, or 7.7%, to 126,000 units, in part because of reduced sales of the Impreza.



Global production increased by 42,000 units, or 4.2%, to 1.031million units. Overseas production<sup>1</sup> decreased by 5,000 units, or 1.3% to 367,000 units, due partly to temporary suspension of plant operations started in March 2020 in response to the spread of COVID-19. Production in Japan rose 7.6% to 664,000 units led by strong demand for the Forester.

These factors were reflected in consolidated revenue of 3,344.1 billion yen, an increase of 188 billion yen, or 6.0%, over the previous year's result. Consolidated earnings were negatively impacted by a year-on-year rise in the value of the yen, but this was offset by growth in the number of units sold overseas, especially in the U.S., and an improvement in the sales mix, in part because of the reduction of sales incentives. Other positive factors included the reduction of R&D expenditure thanks to an increase in the portion that could be treated as assets under the IFRS. As a result, operating profit increased by 28.6 billion yen, or 15.7%, to 210.3 billion yen. Profit before tax increased by 21.6 billion yen (11.6%) to 207.7 billion yen, and profit for the period attributable to owners of parent by 11.2 billion yen (7.9%) to 152.6 billion yen.

For details, please refer to the Financial Review on Page 81.

<sup>1</sup> Production in the U.S. at Subaru of Indiana Automotive, Inc.

## FYE March 2021

### Situation in the First Quarter

Our results for the first quarter of FYE March 2021 were significantly impacted by the effect of the COVID-19 global pandemic on the SUBARU Group's production and sales activities. Consolidated global vehicle sales decreased 49.3% to 133,000 units. Sales in overseas markets decreased by 115,000 units (50.1%) to 115,000 units, and domestic sales by 15,000 units (44.3%) to 19,000 units. Global production fell by 17,000 units (64.8%) to 92,000 units. Our U.S. plant operated by SIA temporarily halted production on March 23, 2020, followed by the Gunma Plant on April 9. Both plants resumed operations on May 11, but the continuing impact of COVID-19 on supply chains and marketing activities resulted in necessary production adjustments.<sup>2</sup> Overseas production fell 64.3% to 36,000 units, while production in Japan declined 65.0% to 56,000 units.

Due to the significant decline in vehicle sales, consolidated revenue fell 45.2% to 457.0 billion yen. Operating profit decreased by 107.9 billion yen to -15.7 billion yen, profit before tax decreased by 100.1 billion yen to -10.7 billion yen, and profit for the period attributable to owners of parent decreased by 74.2 billion yen to result in -7.7 billion yen.

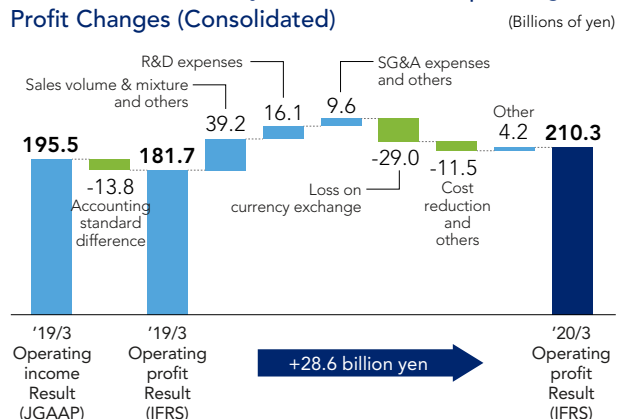
<sup>2</sup> Production suspension and adjustments during the March–June period:

- Japan (Gunma Manufacturing Plant) Plant suspension: April 9–May 1; Production volume adjustments: May 11–June 19
- U.S. (Subaru of Indiana Automotive, Inc.) Plant suspension: March 23–May 8; Production volume adjustments: May 11–May 31

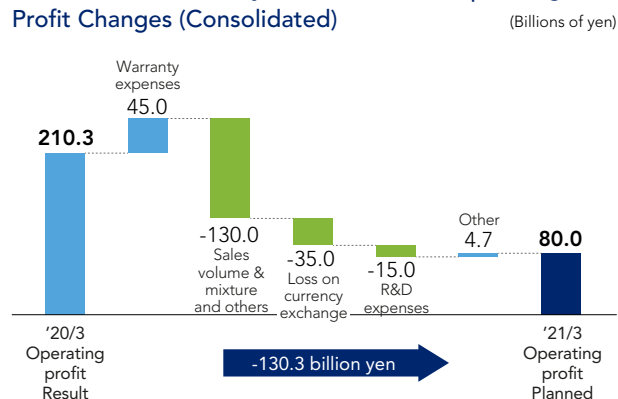
### Outlook for FYE March 2021

Our forecasts for the whole of FYE March 2021 assume a moderate recovery in automobile sales in the second half of year, especially in the key U.S. market. On that basis, we have planned for consolidated sales of 900,000 units and production of 880,000 units, resulting in consolidated revenue of 2,900 billion yen. Despite a reduction in warranty expenses, including expenses related to recalls, service campaigns and so on, consolidated earnings will be impacted by a deterioration of the sales volume and mixture, mainly because of the spread of COVID-19, as well as exchange rate differences, an increase in R&D costs, and other factors. We are planning for operating

### FYE March 2020: Analysis of Variance in Operating Profit Changes (Consolidated)



### FYE March 2021: Analysis of Variance in Operating Profit Changes (Consolidated)





## Message from the CFO

profit of 80 billion yen and profit for the period attributable to owners of parent of 60 billion yen. These estimates assume exchange rates of 105 yen to the U.S. dollar and 120 yen to the Euro. Our plans call for capital expenditure of 100 billion yen, depreciation of 100 billion yen, and R&D expenditure of 100 billion yen. We will maintain investment and R&D activities as required, but we will control capital expenditure by screening projects and modifying schedules.

Uncertainty in the outlook for the COVID-19 situation is likely to continue. However, we are determined to reduce the extent of reduced profit and achieve our targets for FYE March 2021 by steadily linking demand recoveries in our markets to sales, and by managing our expenditures efficiently.



• Latest Results and Forecast

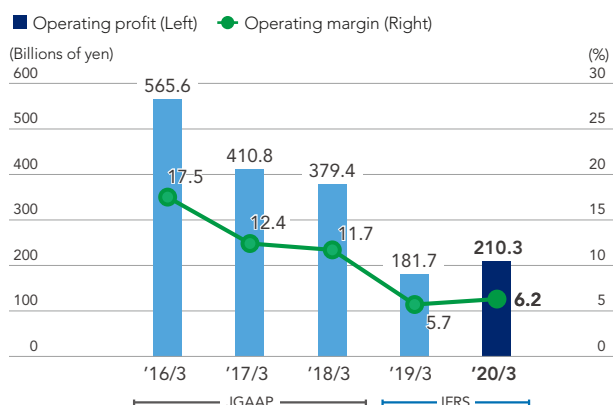
## Financial and Capital Strategies

The SUBARU Group will pursue a policy of selection and concentration guided by our commitment to the customer-first principle. We will improve our medium- to long-term corporate value by optimally using our management resources to develop high-return business models while maintaining a robust financial structure and achieving a high level of capital efficiency. Under the STEP mid-term management vision, we have identified return on capital, financial soundness, and shareholder returns as the three key indicators for our capital policy.

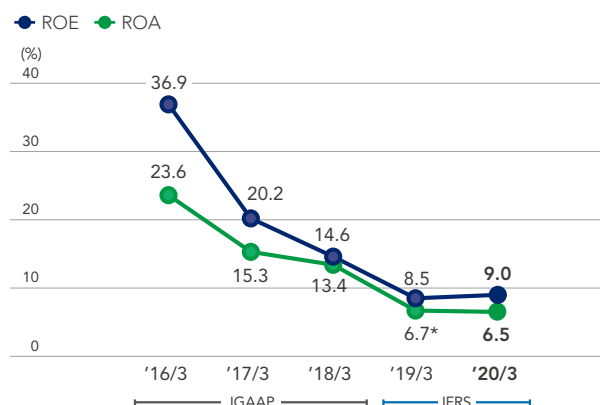
Our basic policy is to provide appropriate shareholder returns while maintaining a high degree of balance between return on equity (ROE) and the shareholders' equity ratio over the medium- to long-term future. Specifically, our goal for the foreseeable future will be to combine a shareholders' equity ratio of at least 50% with ROE of 10% or higher. We will also take steps to overcome the impact of COVID-19 and strengthen our income structures, so that we can restore a net cash position equivalent to two months of net sales as quickly as possible. We also aim to allocate appropriate amounts of cash and other resources to strategic investment and R&D investment targeted toward sustainable growth, while maintaining cash reserves at a suitable level based on trends in the business environment.

We believe that our current position in terms of the procurement of funds and liquidity is appropriate. We are maintaining the required level of liquidity by entering into loan and commitment line agreements with our main banks, and by issuing bonds. Since April 2020, we have been procuring operating funds from financial institutions to meet funding needs generated by the COVID-19 situation. We are working to build a structure that will allow us to respond flexibly to unforeseen funding needs and ensure business continuity at all levels from supply chains to value chains, in the event that the impact of the pandemic continues in the longer-term future. For example, we have established commitment lines worth approximately 200 billion yen, including existing loans and set up the issue of bonds and commercial paper.

### Operating Profit/Operating Margin



### ROE/ROA



\*ROA is calculated by dividing operating profit by total assets (average at the beginning and end of the period)

\*For FYE March 2019 only, ROA has been calculated on a JGAAP basis

## Shareholder Returns

Our basic policy on shareholder returns emphasizes the continuous provision of reliable returns, primarily through dividends. We have also introduced a performance-linked policy of reflecting our financial performance and investment plans, as well as the business environment, in dividends.

Under the STEP mid-term management vision, which we announced in July 2018, we have prioritized the continuous provision of reliable shareholder returns. In the three years from FYE March 2019 to FYE March 2021, we planned to provide shareholder returns consisting mainly of yearly dividends of 144 yen, combined with flexible share buyback programs based on our cash flow position. However, the COVID-19 pandemic had a major impact on the SUBARU Group's business activities, including production and sales, in FYE March 2020. After a comprehensive assessment of the situation, including our funding requirements going forward, we set the yearly dividend at 100 yen, which represents a consolidated payout ratio of 50.3%.

Our dividend forecasts for FYE March 2021 are based on a comprehensive assessment, including our future funding needs in a business environment that remains unpredictable due to the continuing impact of COVID-19. On this basis, we expect to pay a yearly dividend of 56 yen, consisting of interim and final dividends of 28 yen each. This is equivalent to a consolidated payout ratio of 71.6%.

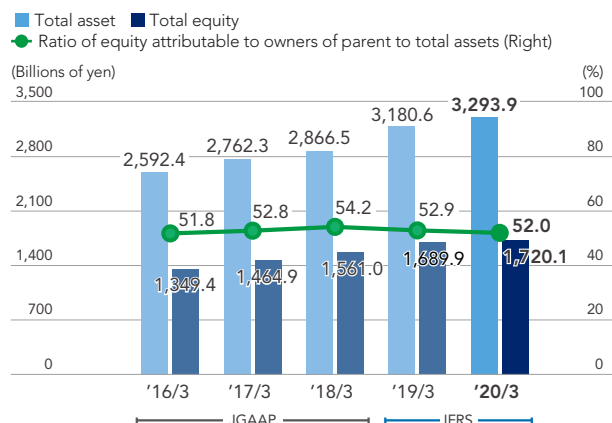
## Improving Corporate Value

Our most urgent priority at present is to adapt to the business environment damaged by the COVID-19 pandemic. From a medium- to long-term perspective, the automobile industry faces the greatest change of the century. Both society and our markets are demanding action including compliance with environmental regulations, and the development of products based on the Connected, Autonomous, Shared & Services, and Electric (CASE) concept. We expect this situation to result in upward trends in R&D and manufacturing costs over the medium- to long-term future.

The SUBARU Group has worked to strengthen its income base by building a brand image of "Enjoyment and Peace of Mind" and pursuing policies of selection and concentration and differentiation. To overcome the current difficult business environment and achieve profit and sustainable growth, we need to supply the market with attractive automobiles that will give users a strong sense of value, while enhancing quality and efficiency and curbing cost increases. To achieve this, we must fundamentally change and reform our approach to car manufacturing and focus our total energies toward quality reforms and the Make-a-Subaru project, which are key priorities under the STEP mid-term management vision.

As CFO, my task is to prepare the SUBARU Group against the continuing risk of COVID-19 impacts by securing cash reserves and reducing financial risk. I will also contribute to medium- to long-term improvement in our corporate value by ensuring the efficient utilization of funds through centralized management of the Group's financial resources and the prioritized allocation of funds to important and strategic areas. We look forward to your continuing understanding and support as we work to meet the expectations of our shareholders and other stakeholders.

### Total Asset/Total Equity/Ratio of Equity Attributable to Owners of Parent to Total Assets



### Dividend Per Share/Dividend Payout Ratio

