



Subaru Business Update

SUBARU CORPORATION

Atsushi Osaki, Representative Director, President & CEO

November 1st, 2024

Since announcing our new management policy last August, we have been providing progress updates. Today, as part of the “Subaru Business Update,” I will explain the current status of some key areas of the policy.

Initiatives based on the principles of **Flexibility** and **Expandability**



<https://www.subaru.co.jp/en/ir/>

BEV Battery Electric Vehicle

4 SUV models to be in BEV lineup
by the end of 2026 (alliance)



HEV Hybrid Electric Vehicle

Introducing next-generation hybrid models



Crosstrek

Forester

I'll start by briefly reviewing our previous announcements.

While we expect BEVs to play a central role in achieving carbon neutrality in the medium to long term, it is precisely because we are in an era of uncertainty that we committed last year in our new management policy announcement to pursuing Monozukuri Innovation and Value Creation based on the principles of flexibility and expandability.

In terms of products, we announced that Subaru will have four BEV models developed jointly with Toyota Motor Corporation in our lineup by the end of 2026.

As part of the BEV transition phase, we will also expand our hybrid (HEV) offerings, which are important for increasing options for customers. This includes the introduction of our next-generation hybrid versions of the Forester and the Crosstrek.

(Monozukuri: Manufacturing)

Monozukuri*
Innovation

Value Creation

**Aiming to become the world's leading company in
Monozukuri* and Value Creation**

**Harness BEV development expertise
to further enhance ICE/Hybrid products**

*Monozukuri: Manufacturing

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Let's move on to the main part of today's update.

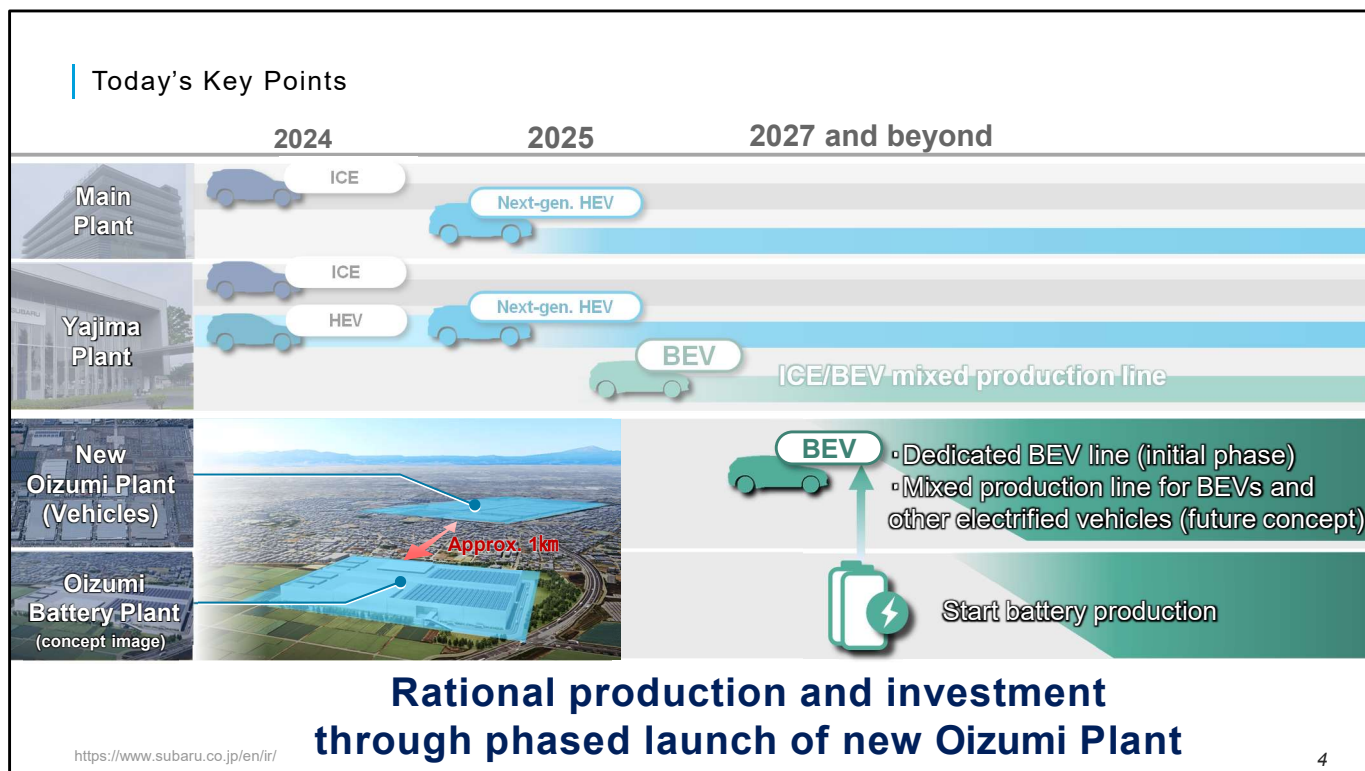
I'll revisit our initiatives of Monozukuri Innovation and Value Creation.

With demand for BEVs currently seen to be leveling off, we are often asked how Subaru will respond to the situation. To reiterate, while we view BEVs as a promising solution for achieving carbon neutrality, the speed of that transition is unpredictable, and we expect that a certain level of demand for ICE and hybrid products will continue. In order to adapt flexibly to unforeseeable changes, we must innovate and change our existing approaches and methods. As part of our new management policy announced last year, we committed to pursuing profound transformations driven by our shift toward BEVs.

At the same time, the choice ultimately rests with our customers. Our flexibility is about offering a wide range of options that include not only BEVs but also ICE and hybrid products. To achieve this, we remain committed to the vision we outlined when announcing our policy, aiming to become the world's leading company in Monozukuri Innovation and Value Creation.

One of the ways we intend to do this is by starting with steering our focus toward BEVs, which will involve building production facilities from the ground up and completely redesigning our development methods and processes. Through this approach, we pursue our Monozukuri Innovation and Value Creation, and the fruits of these initiatives will then be applied to ICE and hybrid products. Ensuring the flexibility to adapt to market changes through this strategy is the key point of our policy.

I will now give an overview of some of the initiatives we are currently undertaking.



First, let me outline our manufacturing facility framework in Gunma, Japan, which is crucial for achieving Monozukuri Innovation and Value Creation.

Regarding the new Oizumi Plant, we are currently considering a phased launch that takes into account trends in environmental regulations and customers' vehicle preferences. Specifically, our plan is to begin with a dedicated BEV line in the initial phase, followed by the introduction of a mixed production line that enables the production of both BEVs and other electrified vehicles.

Additionally, in collaboration with Panasonic Energy, we plan to construct a battery production plant very close to the new Oizumi Plant.

By leveraging the advantages of having factories located in close proximity, centered around Ota City in Gunma, we aim to further enhance the efficiency of our supply chain, including our suppliers and parts logistics.

This new endeavor of manufacturing products at the new Oizumi Plant will be executed through phased launches while utilizing location advantages with strategically concentrated facilities.

Through this approach, we will ensure flexible execution of rational production and appropriate investments that align with changing times.

Engineering Chain

Development



Planning

Design
Development

Supply Chain

Production



Business Partners

Materials

Parts

Production
Plants/
processes

SUBARU

Line
maintenance

Shipment

Sales



Sales

Customers

After-sales
service

**Functionally segmented organizations,
work is passed from one process to the next**

<https://www.subaru.co.jp/en/ir/>

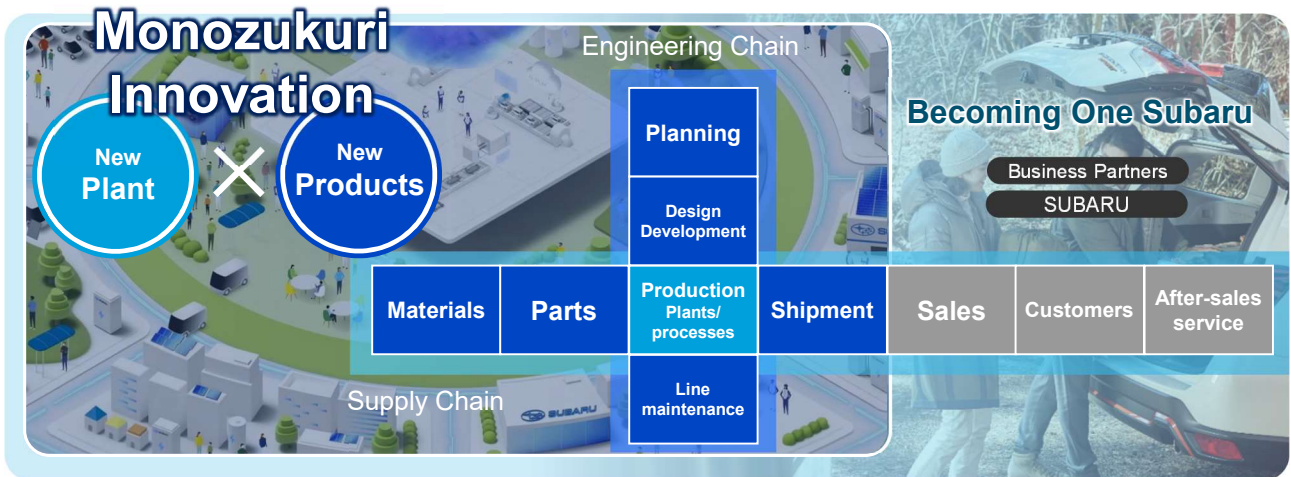
Now, I'll go over our overall approach to monozukuri, including development.

First, on the conventional process, from development to production and sales.

As times have changed, the scope of our business has expanded due to diversifying customer needs and vehicles becoming increasingly complex. This led to rapid specialization and functional segmentation across development, production, and business partners, including outsourcing.

As a result, we have established a segmented style of monozukuri, where each function waits for the previous process to be completed before passing on the work, like a relay.

We view this approach as the rational result of responding, as efficiently and effectively as we could, to the constraints that arose as we grew and adapted to the times.



Agile monozukuri (manufacturing) driven by the opportunity to manufacture new cars in a new plant

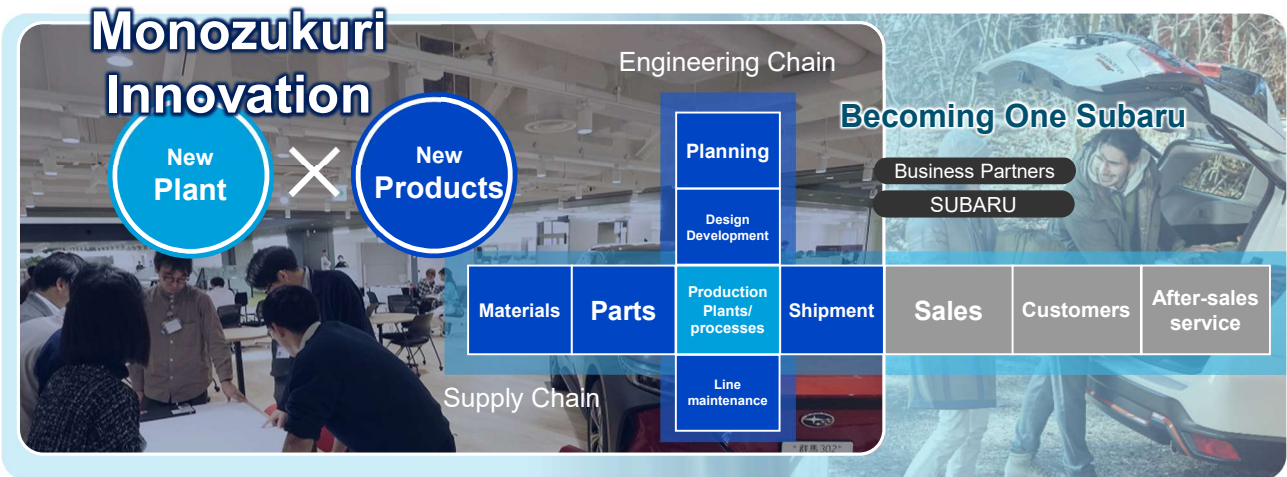
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As an example of how our monozukuri will take shape going forward, I will introduce some of the initiatives centered on the New Oizumi Plant.

The structure of BEVs differs significantly from conventional vehicles. In planning and developing these new products, and then producing them in a new plant built from the ground up, we identify an opportunity to profoundly transform our monozukuri approach and processes.

Building on this opportunity, we will advance and pursue rational, closely synchronized, and highly efficient monozukuri.



Agile monozukuri (manufacturing) driven by the opportunity to manufacture new cars in a new plant

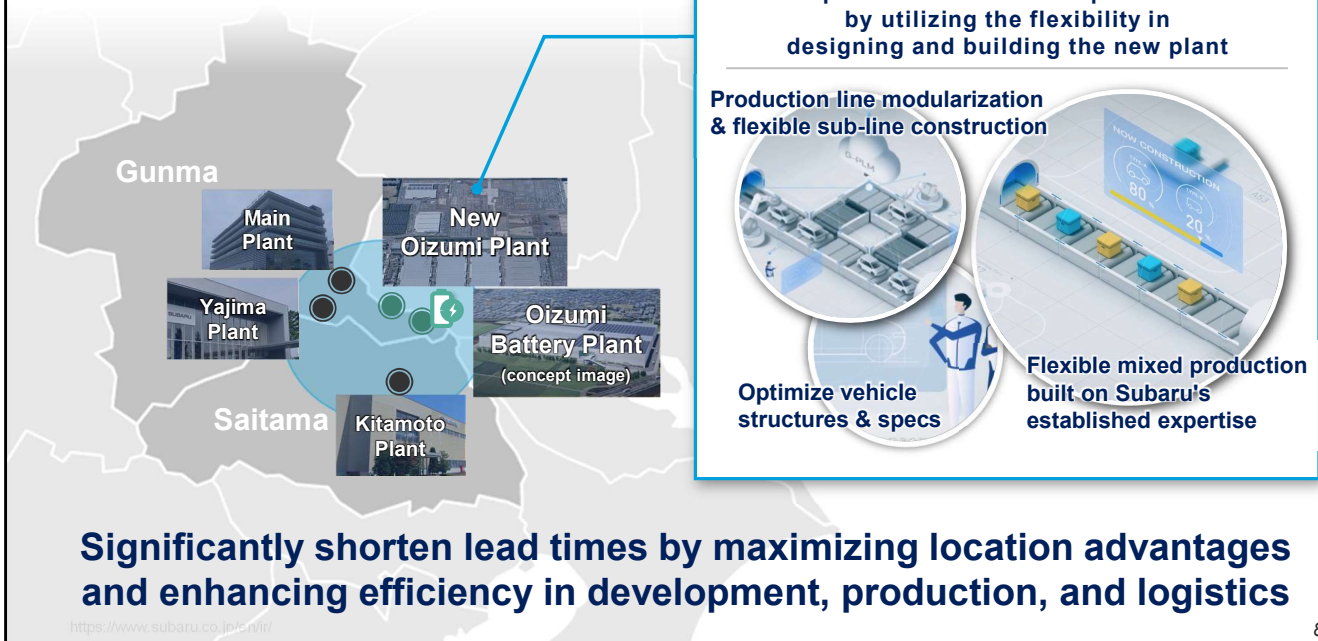
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Currently, we are actively advancing the goal of "Becoming One Subaru" through our Obeya activities*, where employees and business partners gather to discuss development, production, and various matters in a collaborative environment. This initiative promotes cross-functional alignment and enables agile development by integrating the "supply chain," which represents the flow of materials and logistics, with the "engineering chain," encompassing the development process.

Combining this with the highly efficient package I mentioned earlier—including our strategically concentrated manufacturing facilities and supply chain networks, along with the establishment of an efficient logistics framework based on these foundations—we aim to achieve a 50% reduction in development lead times, number of parts, and production processes.

(*Obeya activities: Cross-functional alignment among project members to enable agile development through a holistic view/approach, aimed at value creation, problem solving and accelerated development across organizational boundaries.)



Our new plant will enable the modularization of production lines and the construction of flexible sub-lines while further evolving a highly efficient mixed production method based on our long-cultivated approach to variable short-run production that we at Subaru have honed over many years for small-scale facilities.

We will also fully leverage the flexibility that comes with building an all-new plant from the ground up, maximizing site utilization and optimizing building spaces to enhance overall productivity.

At the same time, for new products such as BEVs that will be produced on these lines, we will significantly reduce the number of parts by optimizing vehicle structures and specifications during the development stage, including planning and design, which will drive us toward achieving a 50% reduction in production processes.

In addition to our initiatives at the new plant, we will maximize the location advantages of our strategically concentrated manufacturing facilities, including the Kitamoto Plant in Saitama, which manufactures transaxles for our next-generation hybrid vehicles. By enhancing logistics efficiency to its fullest extent, we aim to significantly shorten lead times.

By continuously evolving these initiatives, we aim to deliver products that better meet customer needs, more efficiently than ever before.



<https://www.subaru.co.jp/en/ir/>

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Next, I'll discuss our approach to Value Creation.

Recently, Subaru was ranked second for two consecutive years among over 3,000 brands in the U.S. on Forbes' "Companies with the Best Social Impact" list. This recognition reflects not just our products, but a comprehensive evaluation of Subaru's philosophy and initiatives. We believe that at the core of this achievement lies our relentless pursuit of technology to deliver Enjoyment and Peace of Mind. This is precisely why we stated in last year's new management policy announcement that we will pursue technology to achieve world-leading Value Creation rooted in Enjoyment and Peace of Mind.

For example, our driver assist system, EyeSight, has continued through over 30 years of development to enhance "peace of mind," the value we pursue to deliver to our customers. We will continue to strive for ultimate safety, ensuring that our customers feel absolute peace of mind in all driving environments. To achieve this, we will accelerate the evolution of our technology, especially focusing on areas where we excel.

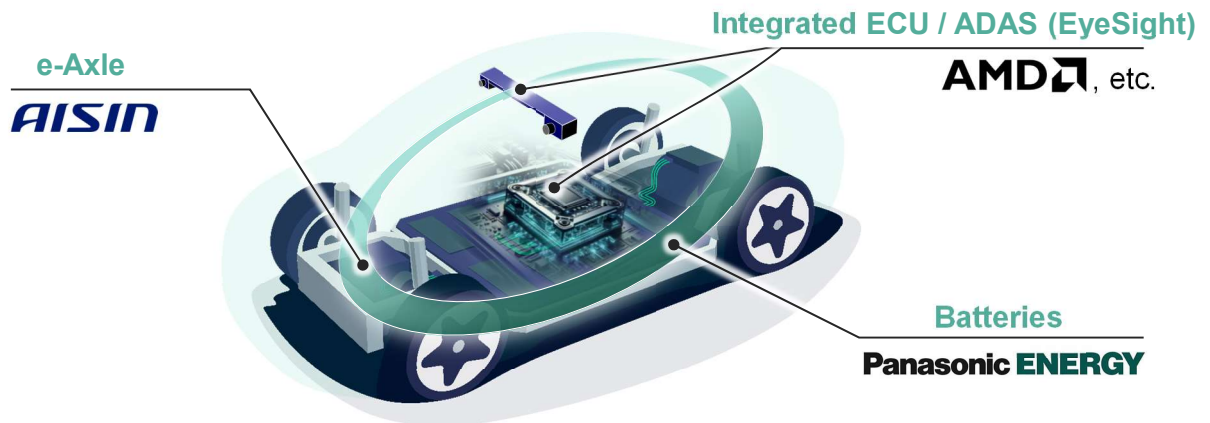
Today, I'd like to introduce two key points in our efforts toward such technological advancements.

The first key factor is "collaboration" with our technology partners. Particularly in the area of BEVs, we need to create value in new domains. In these areas, it is crucial to deepen our collaborative relationships beyond existing partnerships, and we are actively working toward this goal.

The second key factor is "intelligence." While enhancing Enjoyment and Peace of Mind, we will also add new value unique to BEVs, such as a "seamless and stress-free" experience, with a view to applying to these technological innovations to our ICE and hybrid products as well.

I will briefly talk about our initiatives in "deepening collaboration" and "advancing intelligence."

Deepen collaborations to create BEVs with the Subaru difference



Aiming for world-leading Enjoyment and Peace of Mind

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I'll begin with "deepening collaboration."

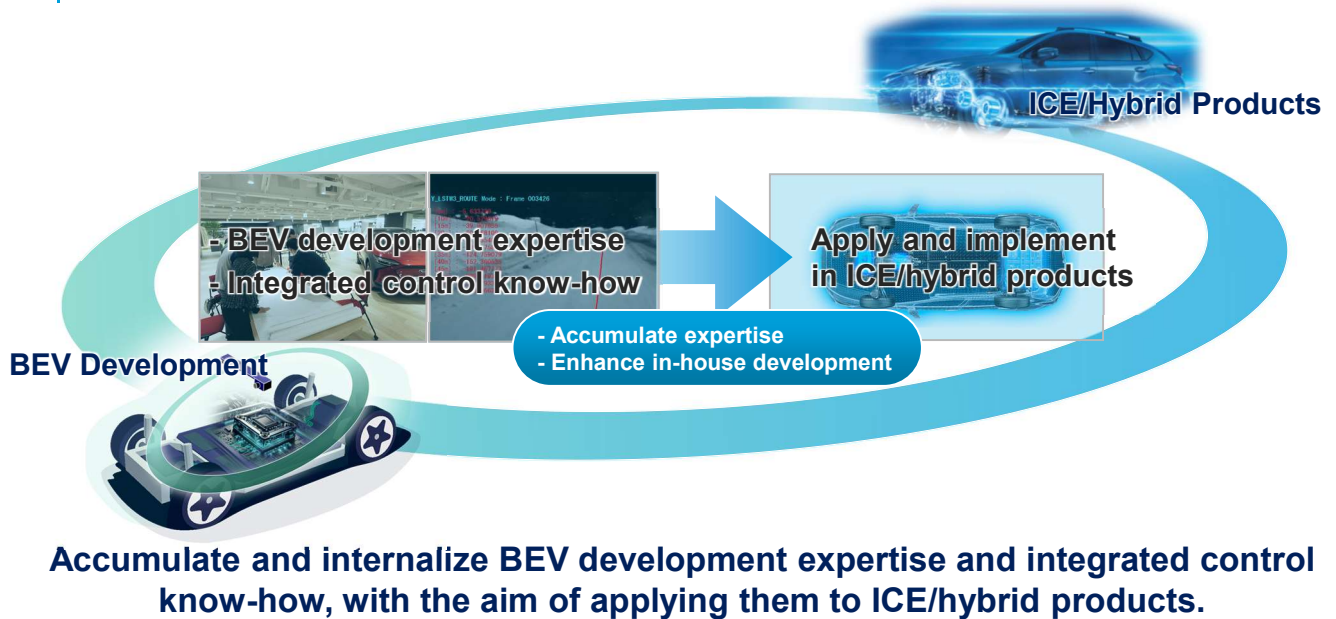
Since last year and continuing into this year, we have announced several key collaborations with important partners who share our vision and will jointly develop crucial technologies from the planning stages of our future vehicles.

We announced the joint development of lightweight, compact e-Axles with Aisin. As partners in electrification, this collaboration extends beyond mere joint development into procurement and production, leveraging the strengths of both companies to create competitive e-Axles.

With Panasonic Energy, a company with over a century of history like Subaru, we are advancing a partnership in battery supply under the shared grand vision of shaping the next 100 years by combining our technologies and expertise, with the aim of achieving world-leading performance and cost competitiveness.

We have announced a collaboration with AMD, a leading semiconductor manufacturer, aimed at achieving our goal of "zero fatal traffic accidents in 2030." While this partnership aims to realize the integration of EyeSight and AI inference, the optimized System-on-Chip (SoC) resulting from this collaboration will also serve as a critical component of the integrated Electronic Control Unit (ECU), which controls not only Advanced Driver Assistance Systems (ADAS) but also vehicle dynamics.

Through these collaborations, we aim to achieve world-leading "Enjoyment and Peace of Mind."



The other key aspect of value creation is “intelligence.”

The integrated ECU I mentioned earlier will be developed in-house, focusing on Subaru's strengths in safety and driving performance.

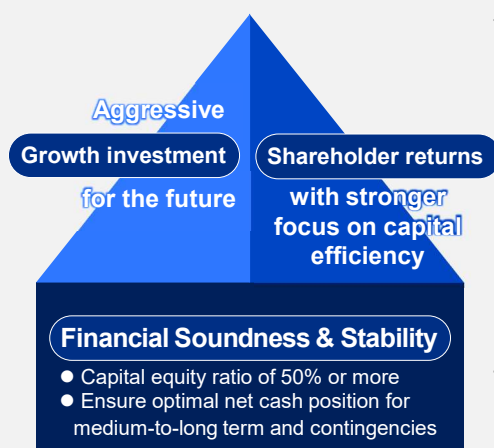
With this strengths-focused, in-house development approach, we aim for cost competitiveness while achieving advanced intelligence, with the integrated ECU acting as the vehicle's “brain.”

We will accumulate the expertise in control systems using such integrated ECU and the knowledge gained from developing BEVs, while further enhancing the speed of our in-house development, which is one of our core strengths.

At the same time, we will deepen our exploration of applying this expertise in our ICE and hybrid products.

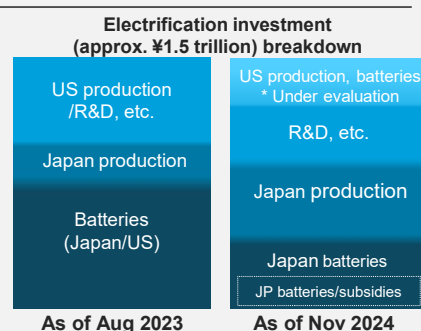
Through these efforts, we will continue to deliver value to a wider audience by providing attractive products that embody the Subaru Difference and meet the needs of each era.

Implementing Financial Soundness and Stability, Growth Investment, and Shareholder Returns as a Unified Strategy



Growth Investment

- Electrification investment: approx. 1.5 trillion yen (unchanged)
- To optimize production and investment, size and timing will be more dispersed than originally planned
- US BEV production: Under evaluation



Returns Policy

- Based on comprehensive assessment of business performance, investment plans, and the business environment
- Pay stable, continuous dividends and flexibly repurchase shares
- Aim for total return ratio of 30-50%

Finally, I'd like to discuss our investment plans and capital policy.

As we anticipate various changes in the business environment, it is crucial to ensure that the initiatives I have outlined are carried out reliably and with optimal timing. To achieve this, we believe that our core priority is securing financial soundness and stability, which forms the foundation of our management.

Additionally, we will continue to allocate capital appropriately toward both shareholder returns and growth investments aimed at achieving world-leading Monozukuri Innovation and Value Creation.

Our commitment to this approach remains consistent with our previous announcements.

Regarding growth investments, our planned total investment of 1.5 trillion yen by approximately 2030 remains unchanged, despite the impact of rising market conditions. However, we will make flexible and rational investments in response to changing times.

Monozukuri*
Innovation

Value Creation

**Aiming to become the world's leading company in
Monozukuri* and Value Creation**

**Maximize Customer Value
Maintain Industry-Leading Profitability**

*Monozukuri: Manufacturing

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This concludes my update on our key initiatives and plans.

We are currently in what's referred to as a once-in-a-century period of profound transformation; however, through our efforts in Monozukuri Innovation and Value Creation, we are committed to maximizing the value experienced by our customers by thoroughly pursuing efficiency and productivity across all business activities, including development and production processes, while enhancing product competitiveness and ensuring the affordability of Subaru products for our customers.

By achieving these goals as we move toward and beyond 2030, we aim to maintain industry-leading profitability and continue to thrive in a competitive landscape.

Thank you



Thank you.