



| Overview of Domestic Production Reorganization Plan

SUBARU CORPORATION

Tomomi Nakamura, Representative Director, President & CEO

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SUBARU CORPORATION

A year ago, in May of last year, I said in the announcement of “STEP2.0” that we will “accelerate the roadmap toward electrification.”

This time, as part of our overall strategy toward electrification, I would like to provide you with an overview of our plan for reorganizing our production structure in Japan.

CO₂ reduction roadmap (announced at the Subaru Technology Briefing in January 2020)

By 2030 ▶ Make at least 40% of Subaru's global sales BEVs or HEVs.

By the 1st half of the 2030s ▶ Apply electrification technologies to all Subaru vehicles sold worldwide.

By 2050 ▶ Reduce average well-to-wheel CO₂ emissions from new vehicles sold worldwide by at least 90% compared to 2010 levels.

Contribute toward achieving carbon neutrality

With highly responsive electric motors, Subaru's AWD capability and driving dynamics will be further enhanced.

We will continue to enhance the Subaru difference in the age of electrification and **accelerate the roadmap toward 2050.**



As shown on the slide, we presented our roadmap for CO₂ reduction toward 2050 at our Technology Briefing.

While global efforts are further accelerating and countries around the world are raising their targets to achieve carbon neutrality, market introduction is starting for our first global all-electric SUV, the Solterra, which we unveiled last November.

Through our joint development with Toyota, and based on feedback we have received to date on the Solterra, we are convinced that we can continue to enhance the “Subaru difference” even in the age of electrification.

Introduction of the Solterra with the goal of achieving the “Subaru difference”

Test drive events held in various regions

“The Solterra demonstrated amazing capabilities in harsh conditions. It thrives in the snow, not in spite of, but because of being an EV.” *

- Takayuki Kinoshita, Sankei Biz (Japan)



“Current Subaru owners looking to make the switch to an EV will stay with the brand because the Solterra is exactly what they’re looking for: an all-electric Subaru.”

- Beverly Braga, Motor1.com (U.S.)

“Maximum confidence level. All the sensations that give so much pleasure behind the wheel of a Subaru are present. I am so fascinated that I do not realize that I am driving an EV.” *

- Bianca H., Movia News (Europe)

* Comments from Japan and Europe have been translated into English from the original languages.

The high level of compatibility between Subaru and BEVs has been felt by many people through driving the Solterra.

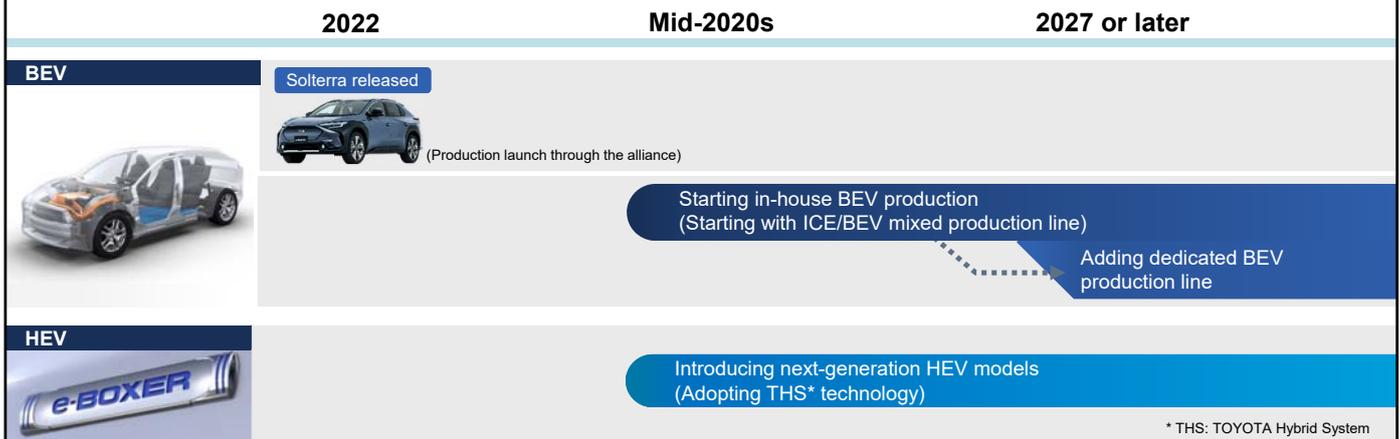
Here in Japan, we are starting to take orders for the Solterra today on May 12, and sales on the global market will begin in earnest going forward.

In our key U.S. market, we have already received orders from many customers since the launch of the reservation system in February and the price announcement on April 25.

As shown on the slide, we have held test drive events for journalists in various regions and have received many comments suggesting they could feel the “Subaru difference” in the Solterra.

As we will be receiving feedback from customers who have actually purchased and driven the vehicle, we will apply what we learn to our future BEV strategies.

Strategic reorganization of domestic production for the expansion and acceleration of electrified vehicle development



* THS: TOYOTA Hybrid System

We will strategically reorganize production in Japan for the expansion and acceleration of electrified vehicle development with the aims of

- Building a production structure that can flexibly respond to changing demand during the BEV transition period
- Improving BEV business profitability through highly efficient production

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Here I'd like to explain our roadmap for the strategic reorganization of our domestic production.

First, we are planning to start in-house BEV production around 2025, with which we aim to respond to the gradual increase in our BEV models and volume.

As a next step, we are considering adding a dedicated BEV production line in 2027 or later.

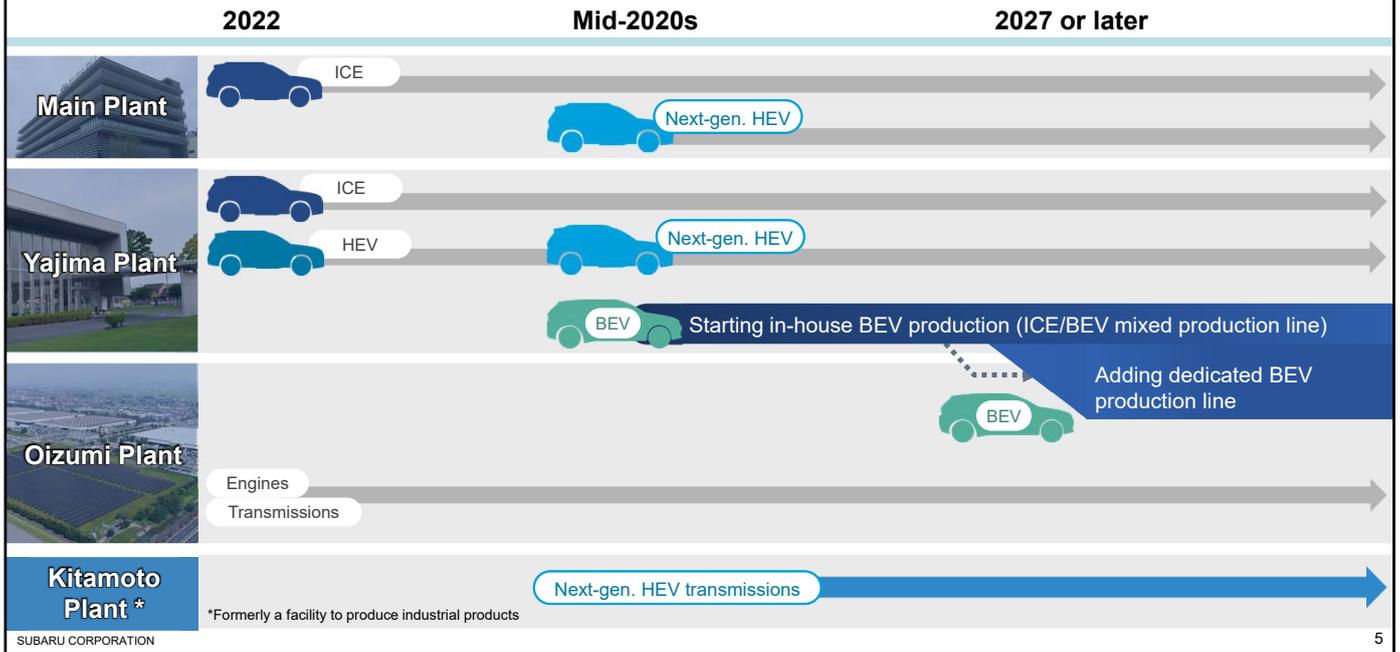
In addition to these initiatives, we are steadily going forward with our plan to introduce the next-generation HEV models adopting TOYOTA Hybrid System technology as we previously announced.

In reorganizing our domestic production, we have the following two main objectives.

First is to build a flexible production structure that can ensure ICE and HEV production as needed during the BEV transition period.

Second is to achieve efficient in-house BEV production in the aim of improving the BEV business where there are still challenges regarding profitability.

Strategic reorganization of domestic production



Here are the specific plans for our domestic production reorganization.

To start with, in reorganizing our power unit production, we are launching the Kitamoto Plant to produce transmissions of the next-generation HEV models. This will be a first step in preparing for future BEV production at the Oizumi Plant.

In-house BEV production planned to start around 2025 is being prepared to begin with an ICE/BEV mixed production line at the Yajima Plant.

The addition of a dedicated BEV production line in 2027 or later is being considered with the Oizumi Plant as our likely candidate.

In advancing our electrification strategy, while we closely watch the changing market conditions and regulations, we believe our greatest focus should continue to be our customers and it is vital that we remain attentive to changes in their demands, tastes, and values as well as the convenience of BEVs for them including the infrastructure.

With that in mind, Subaru will continue to develop products that satisfy and deliver happiness to Subaru customers and put in place a production structure that can flexibly respond to the changing market environment.



This concludes my presentation.

In the Mid-Term Management Vision “STEP” that we announced in 2018, I said we would advance qualitative growth while continuing with quantitative growth at a steady pace in order to be ready for significant changes in the business environment from 2025, and we are continuing to work on those efforts.

Going forward, we will communicate to you our plans for products, technologies, procurement, and the like in a timely and appropriate manner.

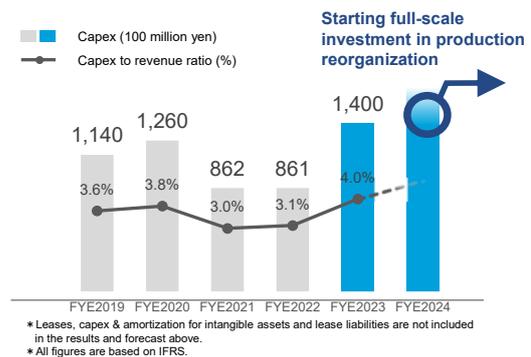
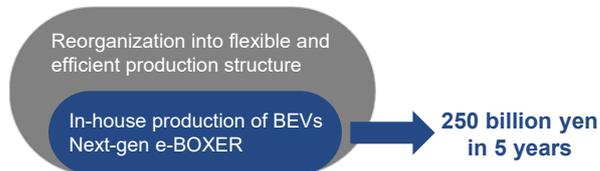
Next, CFO Mizuma will explain our investment strategy for the reorganization of production in Japan along with our capital policy for future growth investment.

For the Acceleration of Electrification

■ Strategic reorganization of domestic production

Capex

- In FYE 2024, starting full-scale investment in reorganization of production including production of BEVs and HEVs.



R&D expenditures

- Maintain a level of around 120 billion yen/year as previously announced in May 2021 by reallocating resources, strengthening alliances and so on while accelerating electrification.

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

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I will explain the future investment strategy for the strategic reorganization of production in Japan that was explained by President Nakamura in the first part.

Over the next five years, we plan to put 250 billion yen into Capex for the reorganization of production in Japan in the aim of

- Building a production structure that can flexibly respond to changing demand during the BEV transition period
- Improving BEV business profitability through highly efficient production
- A Better Working environment

The full-scale investment for in-house production of BEVs including a dedicated BEV production line which is under consideration as well as next-gen e-BOXER production begins in FYE 2024.

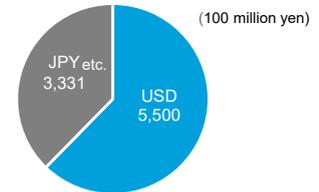
As for R&D expenditures, we are accelerating the electrification strategy, but we will work on reallocating management resources and R&D that balances competition and collaboration through full utilization of alliances, so there are no changes to the level of 120 billion yen per year announced last year.

For the Acceleration of Electrification

■ Financial policy updated to utilize net cash for future growth investment

- Utilization of yen funds and debt financing as needed considering business portfolio and the global financial environment.
- Ensuring high financial soundness while maintaining a capital equity ratio of 50%.
- Targets remain unchanged at industry-leading operating margin of 8% and ROE of at least 10%.

Cash and cash equivalents at the end of FYE2022



■ Our stance on shareholder return remains unchanged while striving to generate cash flow

- Positioning dividends as the main form of return to shareholders with emphasis on stable, continuous returns. Based on the performance-linked approach, dividend payments will be determined considering the business performance of each fiscal year, investment plans, and the business environment. (Consolidated payout ratio: 30%–50%)
- Conducting share repurchases flexibly in line with our cash flow.

Next, I will explain the capital policy for future growth and our stance on shareholder return.

We will update the financial policy of “maintaining two months’ worth of sales at a minimum” and utilize net cash to invest in future growth. Specifically, in order to enhance our US-centered business strategy, we plan to raise yen funds primarily through liabilities as necessary while keeping a certain amount of US\$ funds.

Today, we talked about our new Capex plan and updating our financial policy, but our stance on shareholder return remains unchanged.