Notice Regarding Disposal of Own Shares as Restricted Stock Compensation

Subaru Corporation (the “Company”) hereby announces that its Board of Directors, at the meeting held on July 21, 2017, resolved to dispose of its own shares as stock compensation as follows (the “Disposal of Own Shares”).

1. Overview of Disposal

<table>
<thead>
<tr>
<th>(1) Disposal date</th>
<th>August 10, 2017</th>
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</thead>
<tbody>
<tr>
<td>(2) Class and number of shares to be disposed</td>
<td>37,926 shares of common stock of the Company</td>
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<tr>
<td>(3) Disposal price</td>
<td>¥3,931 per share</td>
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<td>(4) Total value of share disposal</td>
<td>¥149,087,106</td>
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<tr>
<td>(5) Method of offer or disposal</td>
<td>Grant of restricted stocks</td>
</tr>
<tr>
<td>(6) Method of contribution</td>
<td>In-kind contribution of monetary compensation claim</td>
</tr>
<tr>
<td>(7) Grantees of shares and number thereof; number of shares to be granted</td>
<td>The Company’s Directors (excluding Outside Directors) 6 persons, 12,654 shares Corporate vice presidents 19 persons, 25,272 shares</td>
</tr>
<tr>
<td>(8) Other</td>
<td>The Disposal of Own Shares is conditioned on the Securities Registration Statement taking effect in accordance with the Financial Instruments and Exchange Act.</td>
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</table>

2. Purpose and Reasons for Disposal

As the Company announced in the “Notice regarding introduction of a Restricted Stock Compensation Plan” dated April 28, 2017, its Board of Directors, at the meeting held on April 28, 2017, resolved to introduce a Restricted Stock Compensation Plan (the “Plan”) as a new compensation plan for the Company’s Directors other than the Outside Directors and corporate vice presidents (collectively, the “Eligible Officers”) with the purpose of raising awareness of their contribution to the sustained improvement of the corporate value of the Company by linking compensation for the Eligible Officers with stock value of the Company and sharing the improvement of the corporate value resulting from the rise in share price as well as the risk of drop in share price between the Eligible Officers and the shareholders of the Company. Furthermore, at the 86th Annual General Meeting of Shareholders held on June 23, 2017, it was approved by the shareholders that under the Plan, the compensation for the granting of restricted stocks will be provided to the Eligible Officers.
3. Overview of the Plan

The Eligible Officers will pay in all the monetary compensation claim provided by the Company under the Plan as in-kind contribution to the Company, and receive the issuance or disposal of the common stock of the Company. In addition, among the common stock of the Company which is issued or disposed of by the Company to the Eligible Officers under the Plan, the total number of that in relation to the Company’s Directors shall not exceed 100,000 shares per year (In the event where the Company, on or after July 21, 2017, engages in any action which possibly has impact on the stock value per share, such as share split or consolidation of shares, the maximum total number of the common stock of the Company to be issued or disposed of may be reasonably adjusted in consideration of the ratio of the share splitting or the consolidation of shares).

The amount to be paid in per share for the above common stock shall be determined by the Board of Directors, by taking into account the average closing price of the common stock of the Company on the Tokyo Stock Exchange over the one-month period immediately preceding the Board resolution, and within the scope which will not be particularly favorable to the Eligible Officers who subscribe the common stock of the Company.

In addition, in the case of issuing or disposing of the common stock of the Company under the Plan, a contract regarding the grant of the restricted stock (the “Contract Regarding the Grant”) shall be executed between the Company and the respective Eligible Officers, which substantially sets forth provisions including: (i) the Eligible Officers shall be prohibited, for a certain period (the “Transfer Restriction Period”), from transferring, setting collateral rights for, or otherwise disposing of the common stock of the Company that are granted to them; and (ii) in the case of occurrence of specified events the Company shall acquire the said common stock at no cost.

This time, after the consideration of the purpose of the Plan, the Company’s business performance, the scope and nature of the performance of duties of each of the Eligible Officers, and various circumstances, the Company decided to pay a total amount of ¥149,087,106 in the monetary compensation claim and grant 37,926 shares of the common stock of the Company by way of in-kind contribution of the said monetary compensation claim to 6 Eligible Directors and 19 corporate vice presidents. Furthermore, since the purpose of the Plan is to provide the management with incentives to achieve sustained improvement of the corporate value of the Company and to share more of that value with the Company's shareholders, the Transfer Restriction Period has been set at 3 years.

For the Disposal of Own Shares, the Eligible Officers to whom the stock is scheduled to be granted will pay in all the said monetary compensation claim as property contributed in kind, and receive the common stock of the Company to be disposed of by the Company.

4. Overview of the Contract Regarding the Grant

The Company and each of the Eligible Officers will execute the Contract Regarding the Grant individually, which is summarized as follows:

(1) Transfer Restriction Period: August 10, 2017 through August 10, 2020

(2) Conditions for Cancellation of the transfer restrictions

The transfer restrictions for all of the granted shares held by the Eligible Officers will be cancelled at the expiration of the Transfer Restriction Period. Additionally, in cases where any one of the Eligible Officers loses all of his/her status as a director, officer, corporate vice president or employee of the Company or any of its subsidiaries during the Transfer Restriction Period, due to death, completion of his/her term of office or reaching of his/her retirement age, or any other legitimate reasons approved by the Board of Directors of the Company, the transfer restrictions on all the shares granted to the said one of the Eligible Officers shall be cancelled immediately after such his/her status is lost.
(3) The Company’s acquisition of the shares at no cost
In cases where any one of the Eligible Officers loses all of his/her status as a director, officer, corporate vice president or employee of the Company or any of its subsidiaries during the Transfer Restriction Period, the Company shall naturally acquire at no cost all of the granted shares held by the said one of the Eligible Officers at the time of such lost. However, this shall not apply to cases where such losing of his/her status occurs due to death, completion of his/her term of office or reaching of his/her retirement age, or other legitimate reasons approved by the Board of Directors of the Company.

(4) Administration of shares
To prevent the Eligible Officers from transferring, setting collateral rights for, or otherwise disposing of the granted shares during the Transfer Restriction Period, each of the Eligible Officers opens a dedicated account with Mizuho Securities Co., Ltd. for administration of the granted shares. To enforce the transfer restrictions, etc. on the granted shares, the Company enters into a contract with Mizuho Securities Co., Ltd. for the administration of the accounts of the granted shares held by the Eligible Officers. In addition, the Company has obtained consent from the Eligible Officers as to the details of the said transfer restrictions, etc.

(5) Treatment in the event of organizational restructuring, etc.
Prior to the expiration of the Transfer Restriction Period, if the General Meeting of Shareholders of the Company approves of any matters with regard to a merger contract under which the Company will become a dissolving company; an absorption-type split agreement or incorporation-type company split plan under which the Company will be a split company (but only if the Company, on the effective date of the company split, delivers to the Company’s shareholders a whole or part of the consideration for the said company split that it acquired); a share exchange agreement or share transfer plan under which the Company will become the wholly owned subsidiary; or any other organizational restructuring, etc. set forth in the Contract Regarding the Grant (or, in cases where the approval at the General Meeting of Shareholders of the Company for the said organizational restructuring, etc. is not necessary, if the Board of Directors of the Company approves), based on a resolution of the Board of Directors, the transfer restrictions shall be cancelled immediately before the business day immediately prior to the effective date of the said organizational restructuring, etc., regarding the number of the granted shares that is reasonably calculated considering the period from the beginning of the Transfer Restriction Period to the approval date of the said organizational restructuring, etc.

5. Basis of calculating the amount to be paid in for the granted shares and other specific details
The Disposal of Own Shares shall be funded by the monetary compensation claim provided as a restricted stock compensation by the Company and any of its subsidiaries under the Plan. To eliminate arbitrariness in the disposal price, the average closing price of the Company’s common stock on the Tokyo Stock Exchange over the one-month period up to the day immediately preceding July 21, 2017 (from June 21, 2017 through July 20, 2017) of ¥3,931 (with amounts less than ¥1 truncated here and elsewhere) was used as the disposal price, which is believed to be reasonable as the market price.

Note that the divergence ratio from the closing price on the Tokyo Stock Exchange of ¥4,044 on the day immediately preceding the date of the resolution by the Board of Directors was (2.79 %) (Divergence figures have been rounded up at the three-digit level below the decimal here and elsewhere). The divergence ratio from the simple average value of ¥3,910 of the closing prices for the three-month period (from April 21, 2017 to July 20, 2017) was 0.54 %, and the divergence ratio from the simple average value of ¥4,099 of the closing price for the six-month period (from January 21, 2017 to July 20, 2017) was (4.10 %). Accordingly, the price is believed not to be particularly favorable to the share recipients.

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