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December 19, 2017
Subaru Corporation

Investigation Report and Countermeasures to Prevent Recurrence of Nonconforming Final Vehicle Inspection Works at Gunma Manufacturing Division

In connection with the nonconforming final vehicle inspections at the Gunma Manufacturing Division's Main Plant and Yajima Plant, Subaru Corporation ("Subaru") was instructed by the Ministry of Land, Infrastructure, Transport and Tourism ("MLIT") on October 30, 2017, in its letter entitled "Regarding improvements to processes, etc. related to vehicle type approval," to improve its operating systems to ensure that proper final vehicle inspections are conducted, to make a detailed investigation of the facts, such as past operating conditions, related to nonconforming final vehicle inspections, and to submit a report on it.

In response, Subaru requested Nagashima Ohno & Tsunematsu, a law firm, to investigate "factual details related to past operating conditions of nonconforming final vehicle inspections" in order to ensure that the investigation would be conducted from an objective, neutral standpoint. Today Subaru received the firm's report (the "Report").

According to the Report, final vehicle inspections at Subaru were found to have been handled inappropriately, as follows:

- Contrary to internal rules, inspectors who were not yet certified as final inspectors ("Pre-Certification Inspectors") independently conducted final vehicle inspections;
- Inappropriate use was made of certification seals belonging to others by Pre-Certification Inspectors;
- Inappropriate actions were taken during internal and external audits;
- Certification courses and certification-related trainings were inadequate; and
- Some final tests were conducted inappropriately as procedures for certification as final inspectors.

The Report cites the following as the causes and background of the inappropriate handling:

- Lack of awareness of the public interest in, and importance of, final vehicle inspection work;
- Factory floor culture of excessive focus on technical skills;
- Opportunistic interpretation of the "Support Work";
- Skepticism regarding the reasonableness of rules;
- Inadequate communication within departments and between occupational ranks; and
- Weakness of audit function over final vehicle inspection work.

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The Report emphasizes that Subaru's management team should have paid more attention to the actual state of final vehicle inspections as a precondition for ensuring that final vehicle inspections are conducted properly. Subaru fully accepts the findings made in the Report, including its inadequate self-awareness regarding the public nature of final vehicle inspections and the vehicle type approval system, the reliability expected by automobile users with respect to final vehicle inspections, as well as the clear fact that it had continued nonconforming vehicle inspections over a long period of time. Subaru profoundly regrets, from the management team down, that it failed to improve this situation on its own initiative. Subaru sincerely regrets having caused such compliance issue of nonconforming final vehicle inspections despite recognizing the societal necessity of prioritizing compliance and its heightened impact on society due to its increased presence in society.

Subaru has reflected with all due seriousness on these matters and has decided to immediately reform, from the ground up, its outdated corporate culture and to restore the trust of all stakeholders as soon as possible. To accomplish this goal and to restore the trust of all automobile users, above all else, Subaru's top management will take the lead in engaging all of its workplaces and changing the awareness of all Subaru employees by explaining the public nature and importance of final vehicle inspections and the necessity of improving compliance awareness. The most important task of Subaru's management will be to thoroughly carry out the recurrence prevention measures, with all employees working collectively under the responsibility of the management team, and to thereby restore the trust that the company has lost.

We would like to reiterate our deepest apologies for the significant trouble and inconvenience caused to our customers, partners and all other stakeholders.

Attachments:

Exhibit 1: Investigation Report on how Final Vehicle Inspection Works were Actually Conducted (Summary) prepared by Nagashima Ohno & Tsunematsu

1. The Facts that were Uncovered
 1. How Final Vehicle Inspection Works Were Actually Conducted
 2. Final Inspector Certification Procedures
2. Root Cause/Background
 1. Lack of Awareness of the Public Interest in, and importance of, Final Vehicle Inspection Work
 2. Factory Floor Culture of Excessive Focus on Technical Skills
 3. Opportunistic interpretation of the "Support Work"

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4. Skepticism Regarding the Reasonableness of Rules;
 5. Inadequate communication within Departments and between Occupational Ranks;
and
 6. Weakness of Audit Function over Final Vehicle Inspection Work.
3. Measures to Prevent Recurrence of these Matters
 1. Measures Already Implemented by Subaru
 2. Further Advice on Recurrence Prevention Measures

Exhibit 2: Subaru's Countermeasures to Prevent Recurrence of Nonconforming Final Vehicle Inspection Works (Summary)

1. Eliminate Nonconforming Final Vehicle Inspections
2. Improve Final Vehicle Inspection Procedures
3. Improve Certification Procedures for Final Inspectors
4. Personnel Management for Final Inspectors
5. Promotion of Company-wide Understanding of the Importance of Final Vehicle Inspections
6. Reinforcement of Organizational Systems Related to Final Vehicle Inspections
7. Reinforcement of Auditing System
8. Promotion of Communication between Factory Workplace and Managers and with Management Divisions
9. Continuing Follow-up on Implementation of the Measures to Prevent Recurrence

Exhibit 3: Investigation Report on how Final Vehicle Inspection Works were Actually Conducted prepared by Nagashima Ohno & Tsunematsu

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