

July 10, 2018

## Subaru Corporation Develops New Mid-Term Management Vision: “STEP”

Tokyo, July 10, 2018 – Subaru Corporation today announced its new mid-term management vision, “STEP,” developed with the aim of becoming a company that is trusted by, and resonates with, customers.

Under its management philosophy of “aiming to be a compelling company with a strong market presence built upon its customer-first principle,” Subaru sets out the following three visions for 2025 with a view toward its goal – from a company making things, to a company making people smile – that the company established at the 100th anniversary of its 1917 founding.

1. Become a brand that is “*different*” from others by enhancing distinctiveness
2. Engage in business activities that resonate with customers by putting them center-stage
3. Fulfill corporate social responsibilities by contributing to diversifying social needs

### ■ Name of the new vision: STEP

STEP is an acronym formed from the initial letters of “Speed,” “Trust,” “Engagement,” and “Peace of Mind and Enjoyment” which are four important elements of the new vision. The letter “T” is emphasized in the logo as Subaru considers trust as the most important element of all. The name also expresses the company’s determination to take “steady, strong steps” before a future jump over social changes.



### < Specific initiatives >

#### ■ Corporate culture reforms:

Subaru aims to become a company that can respond swiftly and flexibly to change by being more sensitive to the times and the outside world while preserving Subaru’s DNA.

Specific initiatives include “efforts to become a company that does the right thing in the right way,” “reforming corporate culture and human resources/organization,” “review on CSR activities,” and “IT adoption to overall business activities.”

#### ■ Quality enhancement initiatives:

Subaru strives to be No.1 for “the quality that enables customers to enjoy long-term ownership with peace of mind.”

Specific initiatives include “review on all processes, from product planning to production, to ensure quality,” “step-up of the level of manufacturing plants,” “Reinforcement of quality management systems,” and “service operations improvements.”

The company sets an investment framework of 150 billion yen (over 5 years) in enhancing overall quality.

■ **“Subaru-zukuri” (Make-a-Subaru) project:**

Subaru launches the “Subaru-zukuri” (Make-a-Subaru) project aimed at raising customer value with “high quality,” “high added value,” and “low costs.” It is a new initiative to elevate “car-making” to “a-Subaru-making” that goes beyond manufacturing, involving the whole process of raising customer value ranging from product planning to service activities.

■ **Efforts to enhance safety and peace of mind:**

Subaru pursues “protecting people’s lives” and aims to eliminate traffic accident deaths\* by 2030.

We intend to enhance our driver assist technologies and further strengthen crash safety performance under our philosophy that we should ensure safety of mobility by enabling vehicles to assist with tasks where humans can make mistakes with, while respecting tasks that humans are skilled at. We will also step up safety and peace of mind while driving by adding connected car technologies and intelligent technologies to Subaru’s overall safety.

\*Traffic accident deaths of Subaru drivers/passengers and people including pedestrians/cyclists Subaru cars collide with.

■ **Efforts to build a strong brand:**

Subaru values connections between people and implement activities where SUBARU, dealers, customers, and the community interact.

We launch the “SUBARU Digital Innovation” initiative to collaborate with external partners to generate new customer value utilizing “connected car technology” and “data”, in order to engage and resonate with individual customers.

■ **Product plans and design direction:**

Subaru will launch fully-redesigned versions for key models every year and enhance distinctive SUV and sports models.

We will evolve Subaru’s “Dynamic x Solid” design identity to “bolder” expression.

■ **Environmental initiatives:**

We will make environmental contributions through the following efforts:

- By enhancing environmental performance of products including fuel economy improvements and CO2 emission reduction.
- Through overall efforts in business activities including production, sales, and administration as well as through products that offer Subaru’s strengths in reliability/longevity, safety and utility.

■ **Alliance with Toyota Motor Corporation:**

We will drive forward collaboration with Toyota in the areas of “making ever-better cars” and “addressing transformation in a mobility society,” while maintaining Subaru’s distinctiveness. The initiatives include joint development of basic structural technologies for electric vehicles and collaboration in new-generation technology domains such as connected car technologies.

■ **Efforts to generate innovation:**

Subaru, in partnership with SBI Investment, has established a private fund, “SUBARU-SBI Innovation Fund” which will invest in promising start-up companies in Japan and overseas that are expected to generate business synergies in Subaru’s existing and prospective business areas. Through this fund, Subaru intends to obtain information on advanced technologies and business models from outside and seek new technologies and business models.

■ **Market strategy:**

Subaru aims to maintain growth in the U.S. market and to achieve sustainable growth in other regions including Japan, Asia, Oceania, Russia, Middle East, Europe and China in the approach suited to each market. Global sales for 2025 are projected at 1.3 million units.

■ **Strategy for aerospace business:**

Subaru will continue efforts aimed at shifting from self-sustainability to stable growth.

We will enhance aerospace business with a view to expanding the Subaru brand in the sky and space by advancing efforts including “technology verification projects,” “partnering strategy,” and “collaboration with automotive business.”

■ **Profit plan and capital policy:**

- Increase strategic investment and R&D spending.
- Ensure industry-leading profitability while implementing the above. (Target operating margin of 10% or higher)
- Ensure equity ratio of 50% or higher. Ensure ROE of 10% while aiming for 15% or higher.
- Manage net cash in light of business conditions, with a minimum level set at two months' worth of net sales.
- Deliver well-balanced return of profits to all stakeholders and conduct share repurchases flexibly depending on cash flow.

Profit Plan for FYE2019-2021 (3 years)	
(105 yen/USD)	
Net sales	10 trillion yen
Operating income	950 billionyen
Operating margin	9.5%
R&D expenses	400 billionyen (+ 18%)
Capital expenditures	450 billionyen (+ 3%)
Depreciation and amortization	300 billionyen (+ 29%)

( ) : Percent change from previous 3-year period (FYE2016-2018)

Capital Policy		
Net cash	Two months' worth of net sales at minimum	
Equity ratio	50% at minimum	
ROE	Minimum	10%
	Target	15%
Shareholder returns	Yearly dividend per share	144 yen
	Share repurchases	To conduct flexibly

New Mid-Term Management Vision "STEP" Presentation Material:

[https://www.subaru.co.jp/en/ir/management/pdf/plan/vision\\_subaru\\_2018\\_e.pdf](https://www.subaru.co.jp/en/ir/management/pdf/plan/vision_subaru_2018_e.pdf)

###