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November 5, 2018
Subaru Corporation

Final Vehicle Inspections at Gunma Manufacturing Division Expansion of Scope of Recalled Japanese Domestic Market Vehicles and Implementation of Additional Measures

1. Background and Additional Information

On September 28, 2018, Subaru Corporation ("Subaru" or the "Company") submitted to the Ministry of Land, Infrastructure, Transport and Tourism ("MLIT") a report containing the results of an investigation instructed by MLIT on June 5, 2018, and carried out by a team of external experts, in relation to the final vehicle inspection processes at its Gunma Manufacturing Division Main Plant and Yajima Plant ("Report"). Details of the findings were made public on the same day.

Based on the findings of the Report, Subaru concluded that the issues identified since October 2017 in relation to the final vehicle inspections had occurred until the end of December 2017. Subaru subsequently issued a notification to recall approximately 6000 additional Japanese domestic market vehicles on October 11, 2018.

Since then, and following on-site inspections of Subaru's premises conducted by the MLIT from October 16, 2018, Subaru carried out an additional internal investigation. This investigation has identified that certain issues occurred for a longer period than originally identified during the investigation process leading up to the publication of the Report. Further details are set out in the table below.

Type of action	Previous assumptions in relation to end-dates of the issues in question	Revised estimates in relation to end-dates of the issues in question
1. Stepping on the brake pedal when testing the parking brake	Around end of 2017	September 2018
2. Pulling the assessment cord after confirming the speed indicated by the master speedometer	End of October 2017	September 2018
3. Pulling the speed assessment cord at the moment the speed reaches 40km/h	Date not identified	September 2018

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4. Stepping on the brake pedal when passing over the side slip tester	Around October 2016	October 2018
5. Passing over the side slip tester at a faster speed than the designated speed	Date not identified	October 2018

In light of this additional information, Subaru has decided to expand the scope of vehicles recalled over the period. Further information is contained in Section 2 below.

In addition, MLIT instructed the Company consider whether or not to further extend the scope of the vehicle recall to address the following two issues, which were identified during the investigation process leading up to the publication of the Report, but which were judged by the investigation team not to be included in the Report.

[1] when testing the vehicle's front brakes or parking brake, the gear shift lever position was inconsistent (there were instances where the gear lever was placed in the D (drive) position; in other instances, the gear lever was placed in the N (neutral) position)

[2] the final vehicle inspection was conducted without the vehicle's bumper cover

Subaru has concluded that the two issues were not appropriate in terms of uniformity and consistency of the vehicle inspection process, and has decided to address the issues in the extended recall.

2. Extension to the Vehicle Recall Period (Japanese domestic market vehicles)

Subaru has decided to conduct a recall equivalent to the recall originally notified on October 11, 2018 for approximately 100,000 vehicles manufactured for the Japanese domestic market between January 9, 2018 and October 26, 2018 as explained further in Section 3 below. As a result of these additional measures, the total number of vehicles recalled as a consequence of the issues identified will reach approximately 530,000 units.

Subaru intends to formally file the notification on November 8, 2018. The cost of the additional recall is projected to be approximately ¥6.5 billion.

Subaru sincerely apologizes to its customers and stakeholders, and also to the wider public, for the concern and inconvenience caused.

3. Additional Measures to Prevent Recurrences of These Issues

Subaru implemented the following urgent countermeasures (measures (1) to (4) have been announced previously).

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(1) Modification of the program for the brake tester (October 14 to 21, 2018)

- It is now no longer possible to test the vehicle with the gear lever in the D (drive) position.
- When the parking brake and the main brakes (front wheels and rear wheels) are operated simultaneously, the inspection automatically becomes void.

(2) Inclusion of a stopper for the brake tester (October 8 to 18, 2018)

The objective of this measure is to stop the occurrence of an issue which was identified by, namely *“as the position of the vehicle shifted on top of the tester, the brake inspection results would become inconsistent.”*

(3) A review of the inspection regulations related to the speed of movement over the sideslip tester (October 17 and 19, 2018)

This review sought to ensure that the new creep speed regulations are effective without being unduly onerous.

(4) Placement of monitors/advisors (implemented since October 17, 2018)

In addition to monitoring the work of the inspectors, experienced inspectors have been stationed along the production line to act as monitors and advisors to provide immediate advice to inspectors who have questions.

(5) Measures against vehicles with missing parts and vehicle stagnation time (October 24 and 26, 2018)

Production line operators have been forbidden from placing a vehicle into the final vehicle inspection process if the vehicle is missing any single part, not only the bumper cover. In addition, the Chief General Manager of Manufacturing Division has issued a notification that, if the final inspection line gets congested with a backlog of vehicles, the production line should be temporary suspended to ensure the inspection work is not interrupted.

(6) Implementation of re-education (October 26, 2018)

The production line was stopped for one hour during each of the first and second shifts, and further training was provided on the importance of complying with the standard inspection procedure. Training was conducted on the site of final vehicle inspection to ensure inspectors understood the standard operating procedure and to further highlight the matters identified during the inspection of the premises by MLIT. The understanding and awareness of inspectors was confirmed after the training session.

The production line was stopped again for the entire day on November 2, 2018. It has now

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been confirmed that all issues identified had been eliminated since October 29, 2018.

Moving forward, Subaru will sequentially implement the previously announced measures for preventing any recurrence of these matters. In particular, the measures below, designed to reduce the burden placed upon inspectors, will be implemented as a matter of priority:

- Old inspection facilities that are no longer fit for purpose will be replaced, renovated or reinforced
- Inspection equipment will be improved to make it easier for inspectors to follow standard inspection procedures (including automation)
- The number of inspectors will be increased, and the placement of individual inspectors will be reviewed in relation to each individual inspector's capabilities
- Concurrent with the inspector increase, the inspection procedures will be reviewed, optimizing the calculations for inspector-hour units
- Company regulations will be reviewed to ensure appropriateness and consistency

Measures that require long-term stoppage of the production line, such as the replacement of equipment, will basically be carried out during planned plant shutdown such as in the year-end / new-year holiday periods, but where it is judged that immediate action is necessary or more effective, Subaru will temporarily cease plant operation without delay to implement measures.

Subaru is acutely aware of the institutional shortcomings identified in the Report in relation to its final vehicle inspection process and the Company is committed to restoring public trust as quickly as possible. The Executive team will take the lead in achieving a thorough awareness of the need to prioritize quality and make a true commitment to involvement and engagement in the work of production plants.

Subaru sincerely apologizes once again for causing concern and inconvenience.

Reference: At present, the completion rate is approximately 80% for already implemented recalls of Japanese domestic market vehicles related to the final vehicle inspections at Subaru's Gunma Manufacturing Division.

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