



STEP 2.0



Mid-Term Management Vision Progress Briefing

May 11, 2021

SUBARU CORPORATION

STEP Mid-Term Management Vision announced July 2018



Vision for 2025

- 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.

0	“Change the Culture” Corporate culture reforms	<ul style="list-style-type: none"> - Accelerate efforts to become “a company that does the right thing in the right way.” - Continuous efforts aimed at corporate culture reforms.
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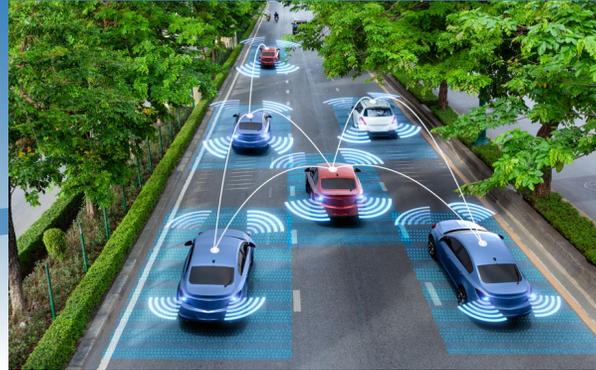
		“Mono-zukuri” (Car-making)	Sales and service	New mobility domain
1	Enhance corporate quality	- <u>Quality reforms</u>	- Enhance quality at customer contact points	- Alliance enhancement
2	Build a strong brand	- More enjoyment, more peace of mind	- From “A car you can love” to “A car, a brand, and people you can love”	- Generate new value through connected car technologies
3	Sustainable growth based on focus strategy	- <u>Launch “Make-a-Subaru” initiative</u>	- Target 5% share in the U.S. - Steady growth in each region	- Initiatives to create new technologies and businesses

Changes in the business environment

Increase in environmental / social responsibility



Advancement of innovation in the auto industry



Work style changes



Steady implementation since 2018

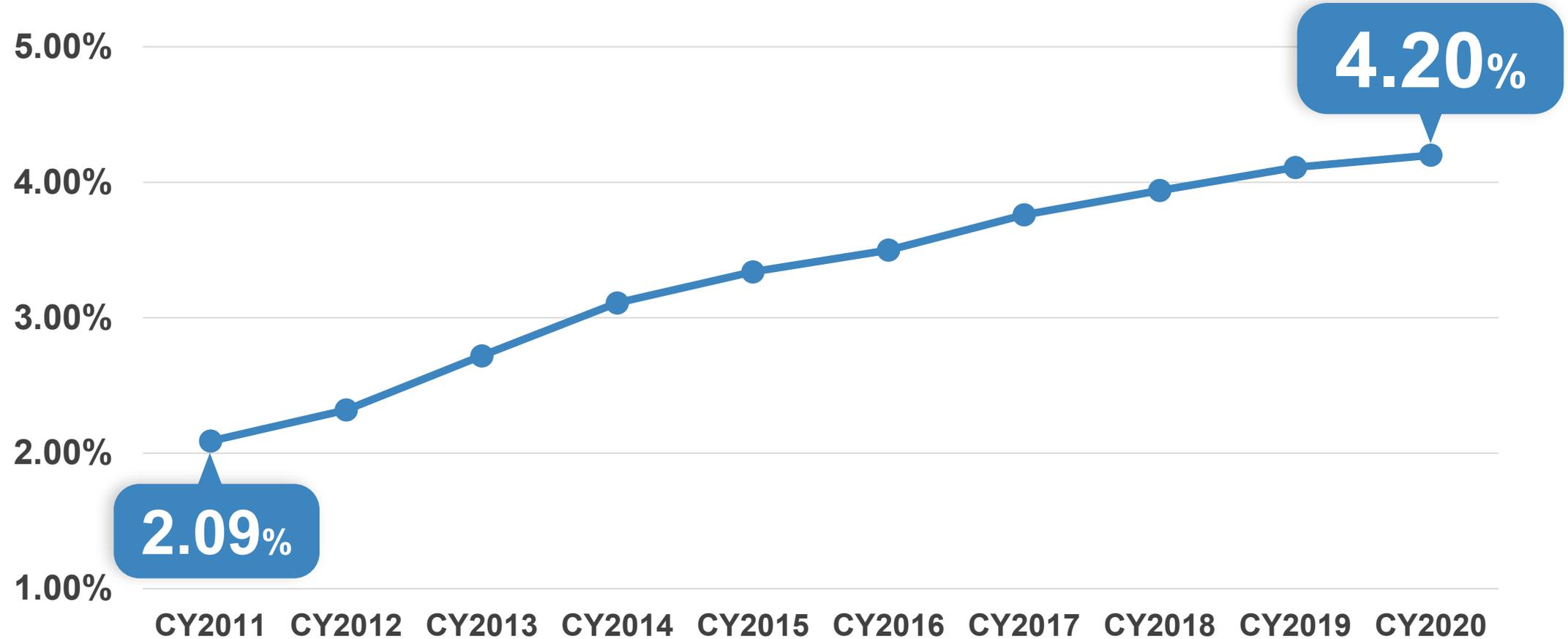
Corporate attitude and purpose are increasingly put under scrutiny

Sales review



Nine straight years of market share growth in the U.S.

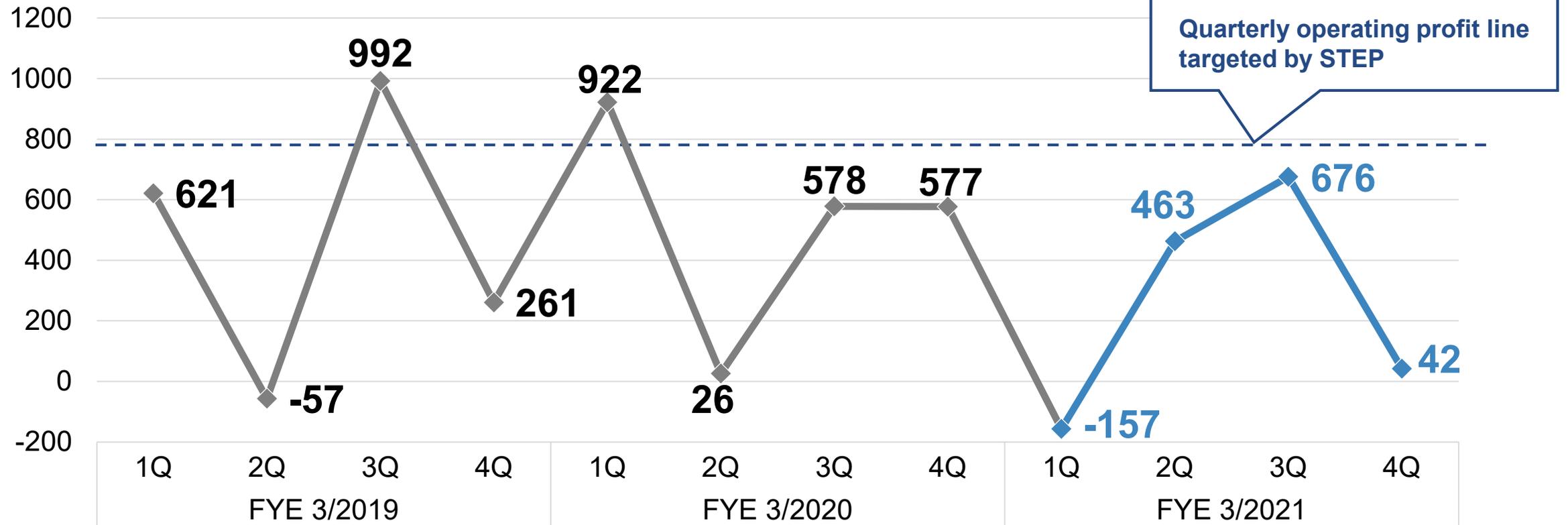
Subaru market share in the U.S.



Need to achieve stable profits throughout the fiscal year

Consolidated Operating Profit (based on IFRS)

(JPY 100M)



FYE 3/2019: ¥181.7B

FYE 3/2020: ¥210.3B

FYE 3/2021: ¥102.5B

Priority initiatives and future direction

1

Corporate culture reforms

2

Quality enhancement

3

Evolution of the Subaru difference

Revamp “Subaru-making” and
respond to changes in the business environment



Where Subaru is headed

1 Corporate culture reforms

Efforts and results so far

“Change mindset, change behavior, change the company”

Efforts have been made to develop a culture of **open communication** in the workplace by closing the distance between ranks such as management and the “genba” (actual worksite).



The rapid adoption of digital tools prompted by the pandemic has spontaneously led to **active communication between different departments.**



Resulted in improvements in employee survey

Focus areas going forward

More focus on growth and development of individual employees

Respond to
new work styles.



Invest in human
resource
development.

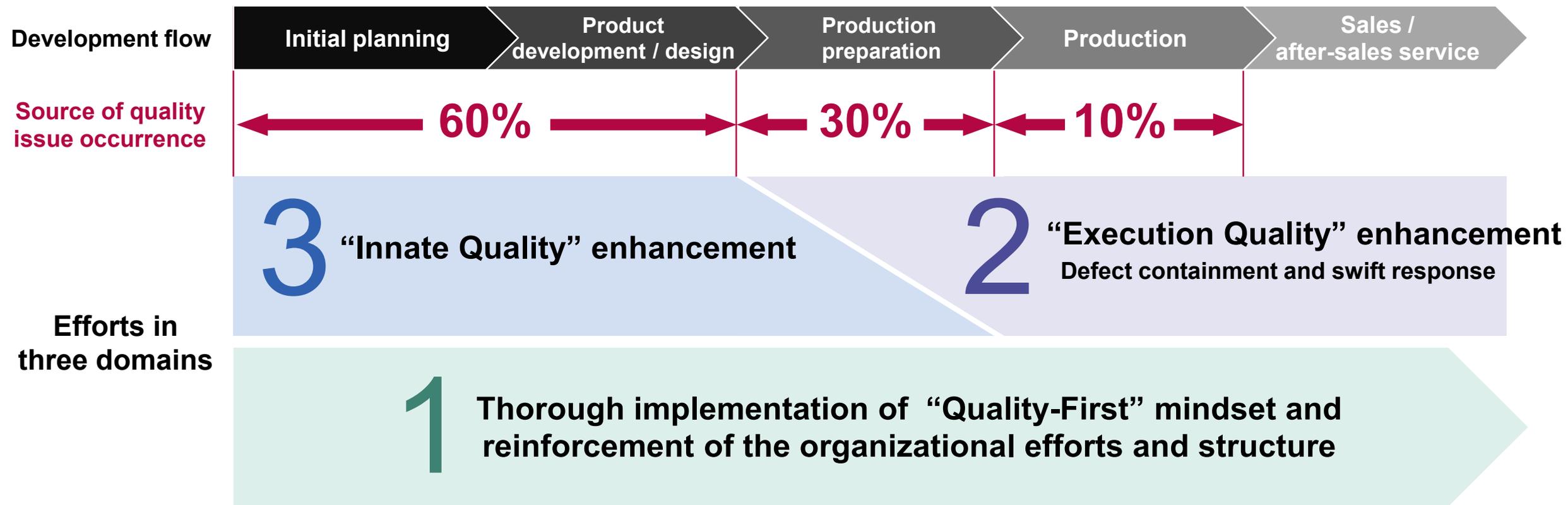


Help the growth of
those who take on
challenges.



Shifting to the phase of elevating employee engagement

Initiatives



Investment framework of 150 billion yen for overall quality enhancement has now been allocated to specific projects. Each project is being steadily executed.

Initiatives

3 “Innate Quality” enhancement

- **Ensure quality all the way from the very start of development down through component logistics and production.**
 - Fully check past issues in development, production, and suppliers.
 - Grasp changes in new parts and systems and prevent issues before they occur.
- **Clarify the quality responsibilities of the Project General Managers in charge of product development and enhance their authority.**
- **Stricter development process where meeting criteria of each quality gate (checkpoint) is given top priority.**

2 “Execution Quality” enhancement

- **New “final vehicle inspection” facility (Start of operation scheduled for FYE 3/2023)**
- **Swift response to quality issues**
 - North American quality team “FAST” (Fast Action & Solution Team)
 - Early detection of defect trends based on analysis using AI.
 - Direct gathering of quality data via telematics systems.
 - Early determination of the scope of affected parts with traceability systems.
 - New “QA lab” facility for enhancing capability to investigate defects.

1 Thorough implementation of “Quality-First” mindset and reinforcement of the organizational efforts and structure

- **Redefine goals.**
 - Quality Policy revised for the first time in 25 years.
 - The quality manual fully revised.
- **Quality awareness, look-back activities**
 - “Quality Caravan” events
 - Company-wide efforts aimed at “not letting past incidents fade away”
- **Increase in personnel**
 - Increase in Quality Assurance Div. personnel by 50% over 3 years

Going forward

Quality enhancement efforts are steadily proceeding, but results haven't yet been demonstrated to our customers and retailers.



Deliver quality enhancement with results.

Deliver results to our customers with new models which incorporate all quality enhancement initiatives.

Never slow down efforts to respond swiftly to quality issues in the market.

Previously-announced direction

Direction announced at the Subaru Technology Briefing in January 2020

**Aim for
zero fatal road accidents
by 2030.**

**Contribute toward achieving
a carbon-free society
with Subaru strengths and
technological innovation.**

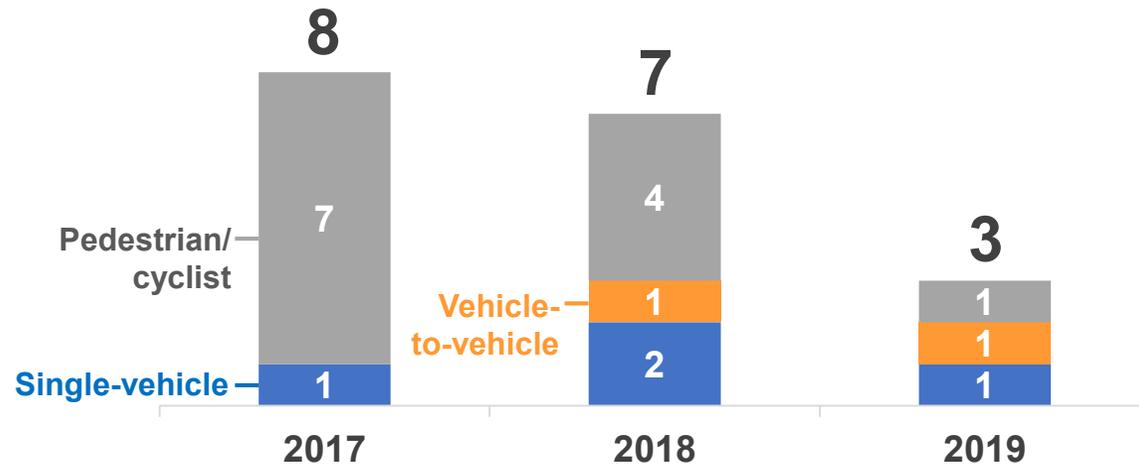
**Further advance our technologies to deliver “Enjoyment and Peace of Mind.”
Maintain the Subaru Difference even in the age of vehicle electrification.**

3 Evolution of the Subaru difference

Toward the goal of zero fatal road accidents

Evolution of preventive and passive safety

Number of road accident fatalities involving Subaru passenger vehicles (excl. mini vehicles) newly registered as new cars in the preceding five years (incl. reference year) in Japan

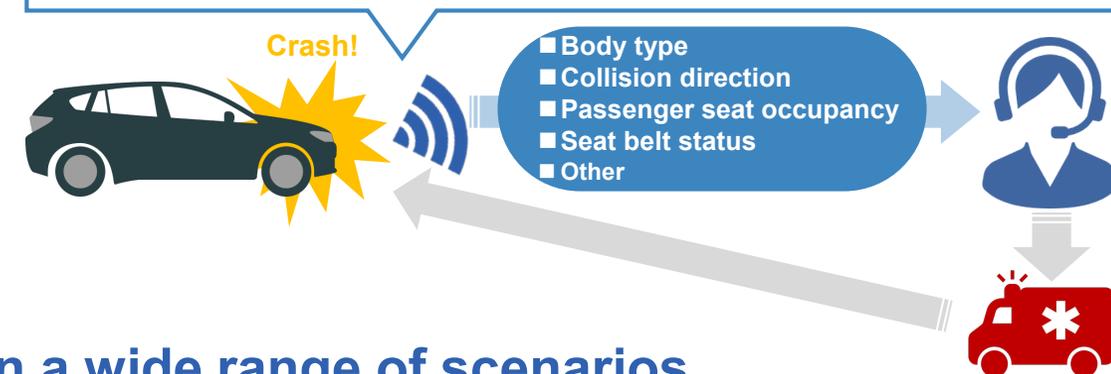
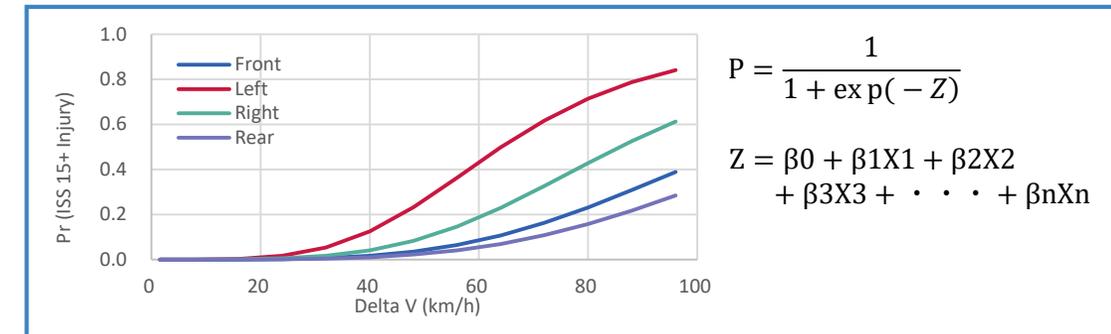


- Subaru calculations based on data from the Institute for Traffic Accident Research and Data Analysis
- Numbers are road accident fatalities (excl. those from secondary accidents) among occupants of Subaru vehicles and people who collided with Subaru vehicles including pedestrians and cyclists



Greater peace of mind with connected safety

- U.S. introduction of the upgraded Advanced Automatic Collision Notification system is under consideration.
- Subaru's original injury prediction algorithm to analyze the degree of damage is under development, with the aim of saving as many lives as possible with prompt, effective response to emergencies.



We will continue to enhance safety in a wide range of scenarios by combining advanced sensing technologies and AI judgment capabilities.

Environmental efforts with commitment to enhancing the Subaru difference

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

By 2030 ▶ Make at least 40% of Subaru 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.



Subaru's first global all-electric SUV

SOLTERRA

Name	Solterra	Start of sales	Middle of 2022	Markets	Japan, U.S., Europe, China, etc.
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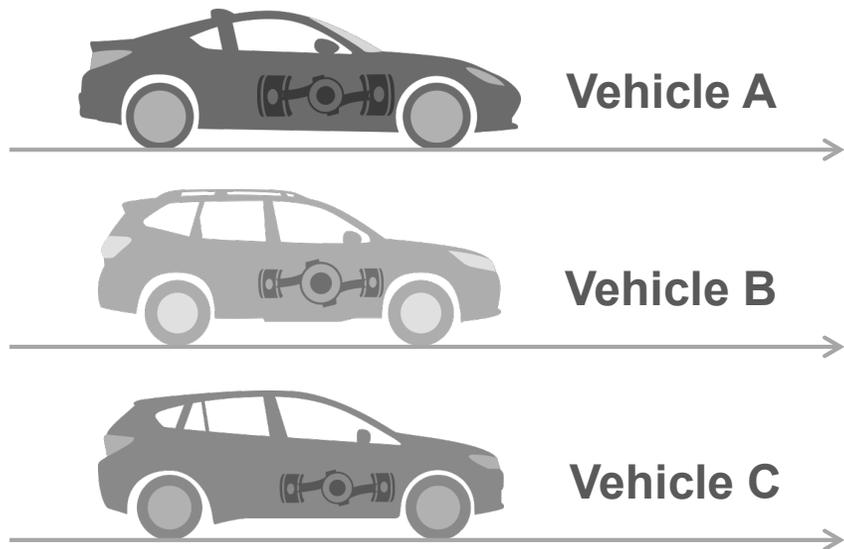


Enhancement of the organizational structure for future product development

We have shifted to the new structure where we cultivate, enhance, and accumulate future-generation core technologies that will underpin Subaru's future products and maintain our competitiveness.

Previous

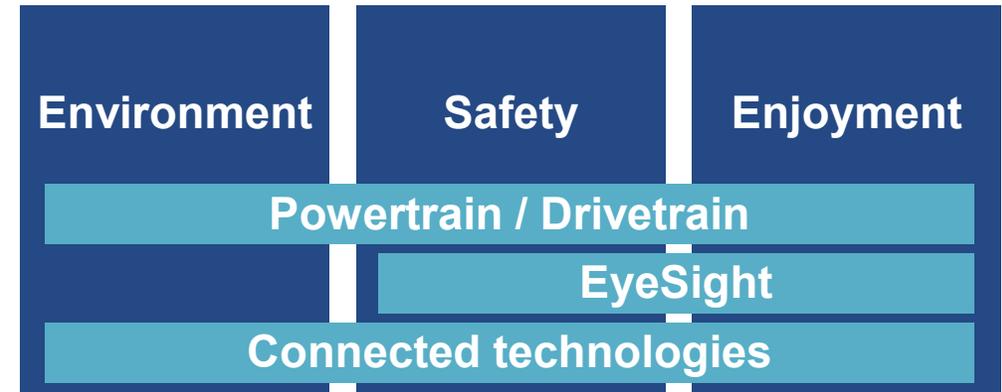
We used to pursue optimal solutions by model, body type, and power unit.



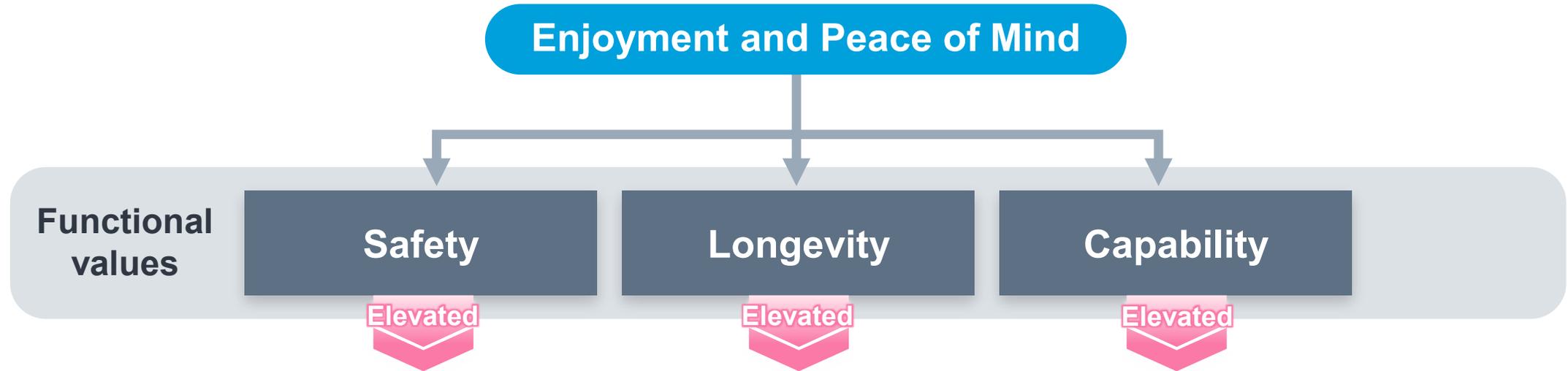
Going forward

Feature axis

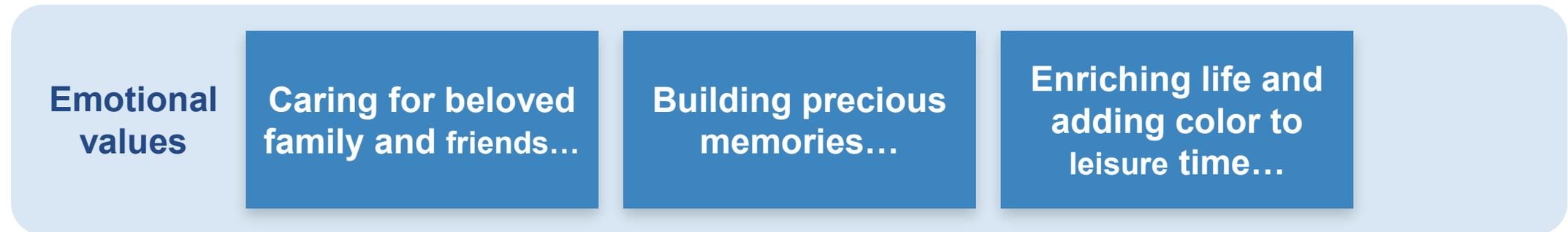
Value axis



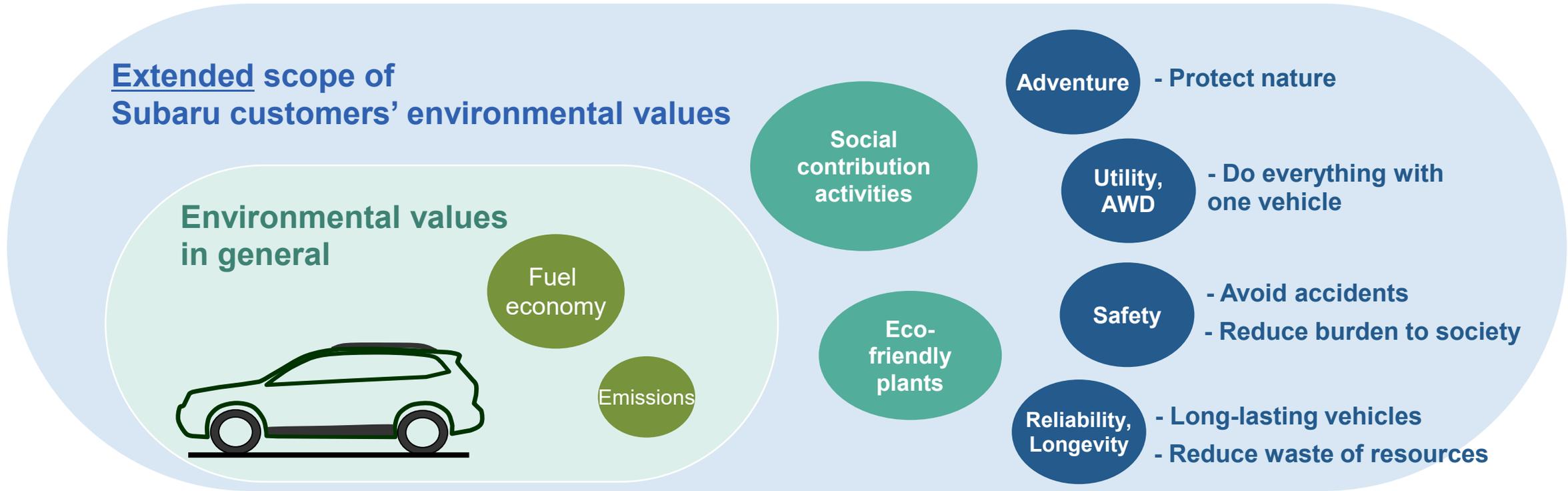
Prioritizing the development of future-generation technologies with more efficient and flexible organizational structure.



Strengths of Subaru vehicles have come to be expressed more intimately in terms of the customer's life.



We will further enhance this “deep relationship between Subaru and our customers that makes us different from other brands.”



**Subaru customers do not believe in "looking out only for their own needs and interests."
They are characterized by their high social and environmental awareness,
which makes the Subaru brand "different" as well.**

Subaru customers are taking further steps to **help others** in need.



“I want to help people in need.”



“I want to improve society and the environment.”



While continuing to support and enrich the lives of our customers, Subaru will advance hand-in-hand with them to create a society that is both enjoyable and sustainable.

Where Subaru is headed

Vision

Delivering happiness to all.

Value statement

“Enjoyment and Peace of Mind”

Corporate statement

We aim to be a compelling company with a strong market presence built upon our customer-first principle.

Profit Direction and Capital Policy

- We aim to maintain and expand our market share by advancing our added-value business model. We will pursue a 5% market share in our key U.S. market.
- We aim for an industry-leading operating margin (8%).
- Capital expenditures and R&D expenditures will be steadily executed for initiatives aimed at enhancing the Subaru difference:

Next 3 years

- Capital expenditures: 3.5%–4% of sales revenue (3.5%)*
- R&D expenditures: 120 billion yen level/year (107.7 billion yen/year)*

* Figures in () show results for FYE 2019–2021

- We aim for an ROE of at least 10% while ensuring net cash of two months' worth of revenue levels and a capital equity ratio of 50%.
- Our stance on shareholder return remains unchanged.
 - 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.



SUBARU

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